# ANNUAL REPORT

OF THE

# Indian Merchants' Chamber

FOR THE YEAR

## 1945

*Presented to the Annual General Meeting of the Chamber held on 24th January 1946*

---

*Published by*

**A. C. RAMALINGAM**

SECRETARY, INDIAN MERCHANTS' CHAMBER,
LALJI NARANJI MEMORIAL
INDIAN MERCHANTS' CHAMBER BUILDING,
BACK BAY RECLAMATION, FORT, BOMBAY

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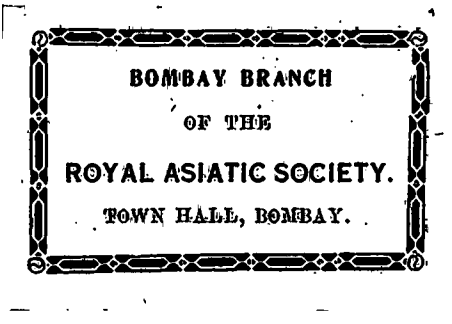
**1946**

***Price Rs. 5***

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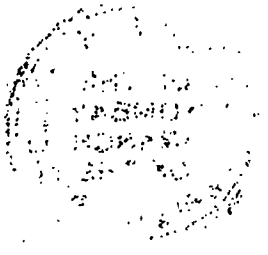
*With the Compliments*

*of*

*The Secretary*



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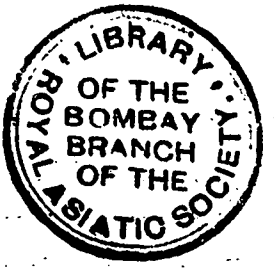


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# THIRTY-EIGHTH ANNUAL GENERAL MEETING

The Thirty-eighth Annual General Meeting of the Members of the Indian Merchants' Chamber was held on Thursday, the 24th January 1946, at 4-0 P.M. (S. T.), at the Office of the Chamber, when the following members were present :—

Mr. M. A. Master, (*President*).

„ Mahomed Husein Hasham Premji, (*Vice-President*).

„ Ratilal M. Gandhi, (*Incoming Vice-President*).

Seth Pranlal D. Nanjee
Prof. M. P. Gandhi
Mr. Ramdas Kilachand
Seth Haridas Madhavdas
Mr. Gordhandas G. Morarji
„ J. C. Setalvad
„ P. M. Chinai
„ C. R. Loyalka
„ J. R. Trivedi
„ Vallabhdas V. Mariwala
„ Mohanlal A. Parikh
„ Vijaysinh Govindji
„ N. C. Javeri
„ C. B. Parikh
„ Purshotamdass Popatlal
„ Khatau Vallabhdas
„ Shankerlal C. Sura
„ A. H. Kaji
„ I. T. Mehta
„ G. P. Kapadia
„ D. Malhotra
„ N. Bhattacharjee
„ J. V. Bhagat
„ I. N. Shah
„ B. S. Munshi
„ S. D. Ashburner
„ M. V. Nayak
„ C. M. Desai
„ V. H. Bhagat
„ A. E. Arsiwala
„ A. A. Trivedi
„ D. R. Shroff
„ R. P. Nagarwadia
„ G. E. Bandukwala

Mr. H. G. Shah
„ I. G. Dharamsi
„ J. P. Mehta
„ Chandulal S. Modi
„ T. N. Merchant
„ Ratilal C. Kothari
„ P. V. Gandhi
„ K. Tulsidas
„ H. M. Parikh
„ R. E. Kumana
„ D. B. Irani
„ H. M. Gurubaxani
Dr. Kallimudin
Mr. Naval Jerajani
„ K. M. Parikh
„ B. M. Choksi
„ C. K. Butala
Seth Chatrabhuj Gordhandas
Mr. Chhotabhai S. Patel
„ Sarabhai Prataprai
„ R. G. Saraiya
Sir Chunilal B. Mehta
Mr. Ratilal M. Nanavati
„ Bhawanji A. Khimji
„ Ramdeo A. Podar
„ Venilal N. Patwa
„ M. L. Dahanukar
„ Khimji M. Bhujpuria
„ Mathuradas C. Matani
„ Purshotamdass H. Shah
„ B. K. Setalvad
„ Keshavprasad C. Desai
„ Dhirajlal C. Modi
„ N. M. Bhuta
„ Vadilal A. Shah

Mr. F. H. Sidhwa
„ Bhupatrai K. Doshi
„ V. S. Choksey
„ G. D. Modi
„ Manilal C. Modi
„ H. B. Karia
„ Jayantilal Maneklal
„ I. B. Mehta
„ L. S. Dabholkar
„ Lakhamsi Gelabhai
„ Mahasukhlal D. Javeri
„ F. H. Vakil
„ P. S. Lahoti
„ A. S. Bhathena
„ J. A. Shah
„ G. Kedia
„ B. R. Chinai

Mr. N. G. Shah
„ Tahir Ali Fatehi
„ K. S. Kothari
„ R. R. Merchant
„ Janmahomed
„ C. R. Shroff
„ Manubhai Gokuldas
„ R. D. Shah
„ S. Venkatram
„ J. C. Vora
„ F. R. Merchant
„ P. B. Karanjia
„ N. C. Dalal
„ H. M. Trivedi
„ K. K. Chitalia
„ C. H. Diwanji
„ Ramnath Podar

Mr. J. K. Mehta (*Secretary*).

The Secretary read the Notice convening the Meeting.

Mr. M. A. Master, retiring President, in placing before the Meeting the Report of the work done by the Committee during the year and the audited Statement of Accounts of the Chamber for the year ending 31st December 1945, made the following speech :—

GENTLEMEN,

The Report of the work which your Committee have done during the year 1945 and the Audited Statement of Accounts of the Chamber for the same year have now been in your hands for some days past. I, therefore, beg to propose that both the Report and the Accounts be adopted.

Before I say a few words on some of the questions of the day, allow me to offer my very warm and cordial congratulations to my friend, Mr. Mahomed Husein Hasham Premji, on his election as the President of the Chamber for the ensuing year. He is a prominent Rice Merchant of Bombay. His firm has a very long and honourable connection with Burma and has played a very important part in the rice trade of Burma with India. He has done useful work on several Committees on which he has been representing either the Federation or the Chamber. With a winsome presence, he combines the charm of good manners. With the culture and traditions of his community he combines the outlook and approach of a man who has travelled abroad. He is no doubt one of the youngest Presidents of the Chamber. But youth is no bar to honours. Enthusiasm and devotion of youth, when combined with wisdom and judgment, will keep fresh and flowing the springs of public life. Apart from the knowledge and experience of business affairs, what we need most in a President of the Chamber are his ability and aptitude for the study of

public questions and the desire and determination to uphold the honour of the Chamber and further its aims and objects. I have no doubt Mr. Mahomed Husein possesses all these qualities in ample measure. The prominent part which he played at a critical juncture in the universal crusade against the proposed Indo-Burma Immigration Agreement of Bajpai fame and the ability, tact and judgment which he showed in safeguarding the position and rights of the Indian Rice Merchants, when the Rice Control Order was promulgated in Burma in 1941, inspired confidence in his friends about his capacity for public work and gave great promise and hope for his future career as a public man. It, therefore, gladdens my heart, as a friend, to see that the hope has so early and so splendidly been fulfilled, and I, naturally take pride in his elevation to the Presidential Chair of this Chamber. The living and day to day interest which he took in all the problems that came before the Chamber, while he was its Vice-President, and the willing, active and enlightening co-operation which he gave me throughout the year in the discharge of my duties as its President, has convinced me that the Chamber has made a wise choice in appointing him as its pilot for the coming year, and I am sure, with your sympathy and support he will be able to navigate safely and successfully the ship of the Chamber through the troublous waters that lie ahead.

Let me congratulate my friend, Mr. Ratilal Mulji Gandhi, on his election as the Vice-President. He has been a member of the Committee of the Chamber now for several years. As our representative on the Port Trust, he has evinced a national outlook in the deliberations of that Body. As a prominent member of the Seeds Trade and as the President of the Seeds Traders' Association for a number of years, he has rendered very valuable services to that trade. He has also very ably safeguarded the interests of that trade at several Conferences called by the Government or by other interests. Mandvi is the heart of all the import trades in the City and it will, no doubt, be a matter of great satisfaction to that vital nerve centre of the City that it has given to the Chamber the President and the Vice-President for the current year.

## International Situation—Death-knell of Democracy

The war came to an end nearly five months ago. The spectre of war is, however, yet fully alive. When the United Nations Organisation was formed last year, we were told that justice shall triumph, democracy shall flourish and peace shall reign over the Earth. Instead of marching towards these ideals, the world, I am afraid, is heading towards a fresh and more ghastly tragedy. The intrigues of power politics and the ambition for establishing spheres of influence dominate the deliberations of the "Big Five". Small nations have become the pawns on their Imperial chessboard. The principle of the Atlantic Charter, namely, "the right of all peoples to choose the form of Government, under which they will live", will be respected, no longer holds the field. The faith which inspired

the United Nations Organisation recognising "the equal rights of men and women and of nations, large and small" has received a rude shock. The Allies professed that their armies fought during the war for establishing democracy and for securing freedom for small nations of the world. Their armies are now, however, utilised to massacre the nationals of those countries who are striving for the liberation of their motherland. Look at Indonesia; look at Indo-China. Their people are fighting for the liberation of their land. The Allies under the leadership of England are, however, utilising our soldiers for putting down these people who are fighting for their independence. Lord Wavell reminded us about the soldier's faith. That faith should inspire him to fight for the freedom of his own country. It should not make him an instrument for the slaughter of those who are striving for the freedom of their own land. The Great Powers are again playing the old Imperial game. They are helping both Holland and France in preserving their imperial domination in Indonesia and in Indo-China. This rank hypocracy was properly condemned the other day by our Central Legislature. As rightly observed by Mr. Sarat Chandra Bose, "India has never willingly dipped her hands in her neighbour's blood". As he truly emphasised, it is the British Imperialists who are compelling our soldiers to dip their hands in the blood of their neighbours. That must stop. That shall stop. If a soldier is to remain true to his faith, he can only fight for the freedom of his country or for protecting others from the tyranny of their oppressors. No one has any right to degrade him into the murderer of the innocent and proclaim to the world that in that degraded position, he is true to his faith. Mr. Jinnah, therefore, voiced the feelings of the nation when, pointing to the Government Benches, he indignantly declared "your hands are covered with blood". Europe and America seem to have joined hands for keeping Asia under permanent subjection. Last year, President Truman gave a message to the United Nations Conference that "the responsibility of the great States is to serve and not dominate the peoples of the world" and added "justice remains the greatest power on Earth. To that tremendous power alone we will submit". He has now told the world that the peace must be built on power. Let those who want to worship again at the shrine where "might is right" and keep Asia under their subjection remember that the people of Asia are determined to fight for their freedom and let them ignore not the warning uttered the other day by General Aung San:

> "One thing that came out of World War II is this—the days of Imperialism are numbered in Asia. Asia, rejuvenated and progressively marching into world politics, can no longer be ignored in international counsel; its voice grows louder and louder. You can hear it in Indonesia, Indo-China, Burma, India and elsewhere and you can see Asia marching unmistakably in China. The world must reckon with the gathering Asian Unity and strength. We cannot be divided and kept down for all the time."

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## Government and the Present Political Deadlock

This is how the stage is set in the international world. So far as we in India are concerned, the all absorbing question which surges up in the bosom of every patriotic Indian is "when will the existing political deadlock come to an end and when will Britain transfer real power from British to Indian hands?" As I said in my last speech, the announcement made by Lord Wavell of the policy of His Majesty's Government for promoting "the early realisation of full self-Government in India" did not create any enthusiasm in the country. Despite the promise given by him after the failure of the Simla Conference, His Excellency has not been pleased to do anything which can inspire confidence in the people that he would not again give the vetoing power to any individual, however eminent he may be, and would not once again allow intransigence to decide the fate of India. The threat held out by the Secretary of State for India, in his speech in the House of Lords last month, "of preserving law and order and of resisting any attempts to resolve the constitutional issue by force" was not only unwarranted unjustified and untimely but it also shows that Britain heeds not or cares not for the ideological forces which are at work throughout Asia for securing liberty and freedom from the fetters of bondage and subjection in which that Continent is held today. In 1944 Lord Wavell strongly advised India against undergoing "a major surgical operation such as Pakistan". In 1945, his Lordship assures India that the British Government and the British people are prepared to grant India "a Government or Governments of their own choice". The geographical unity of India no longer inspires their faith. They care not whether India remains united or India breaks into divisions. The people of India have recognised the right of self-determination. That right, however, must be exercised by all and not only by a few. The gospel of a Government or Governments for India preached by Lord Wavell has only added fuel to the fire. Instead of helping in the solution of the existing deadlock, it can only intensify the mischievous tendencies which that deadlock has created and fostered. His Lordship, further, does not believe in the doctrine of 'Quit Inida'. He does not think that the doctrine of 'Quit India' will, like the magic 'Seasame' opening the Ali Baba's cave, unfold the gate of India's independence. Let me remind His Excellency in all humility that 'Quit India' only means that Britain must transfer real power from British to Indian hands. Unless that is done, there can be no self-government for India. No one wants the Britisher in India to take the next boat or plane to England. If they so choose, they may remain in the country, but they can do so purely on terms of equality and not on the basis of the rulers and the ruled. Lord Wavell wants a measure of agreement to be reached between all the parties before real power can be transferred to India. He wants us to reach such agreement with the Rulers of Indian States as well as with the British Government. He has, however, only recently assured the Indian States that their existing rights and powers will not be interfered with. It is difficult to understand what agreement is to be reached between those

who have to transfer power and those who have to acquire that power. No one in England would say that the Government shall not function, unless all parties of different political thoughts reached a definite agreement and an understanding. Every time we hear the voice of His Majesty's Government, we are asked to fulfil new conditions and arrive at an agreement with new parties before freedom can be granted to India. This is not the way to solve the existing deadlock. It cannot inspire confidence in the sincerity of those who profess that they are willing and ready to transfer power to Indians. The crucial test of that sincerity demands that they should make it clear to Indians that they want India to remain united and that if Indians want to exercise the right of self-determination, it will be exercised by all and not only by a few and that they are prepared to transfer full power by a certain date and that Britain will only enter into a Treaty with a fully free and united India. If such an announcement is made, it will have an electric effect on the whole country. It will effectively help the solution of the existing deadlock and the leaders of all parties will come to an early understanding for the formation of a future Constitution for their motherland. Unless this is done, there is no hope, from that quarter for India. India will continue in the future, as in the past, to remain under the subjection and domination of Great Britain if the solution of the Indian dealock were to be in the hands of the Britishers alone.

### Right of a Subject Nation to Fight for its Liberation

Let me now turn from the political to the industrial field. But before I do so, I want to refer to a glorious chapter which the sons of India have added to her history. Over two million Indian men and women inhabiting the various parts of East Asia formed themselves into a free nation under the Provisional Government of Azad Hind in 1943, under the leadership of Netaji Subhas Chandra Bose. Over two lakhs of Indians took the Oath of Allegiance to that new State. That Government was recognised as an independent State by many Powers who were then opposing Britain and her Allies. It constituted an Army which wanted to liberate India from the foreign yoke and protect Indians from foreign aggression and oppression in Burma, Malaya and elsewhere. Some of their leaders were recently tried for waging war against the King. Inspite of their glorious defence by Mr. Bhulabhai Desai in a brilliant, masterly and unforgettable address, they were convicted by the Court Martial. That sentence was, however, immediately communted by the Commander-in-Chief and they were at once set at liberty. Whether it was in response to the universal public opinion in the country or whether it was to prevent the armed forces of India becoming restive, God alone knows. The trial, however, has brought to light a great upsurge towards the inherent right of a subject race to fight for their liberation. A soldier has to fight for the freedom of the country 'whose salt he eats' and not for those who want to keep his Motherland under bondage and subjection. Mr. Bhulabhai has earned

the gratitude of the teeming millions of his countrymen for teaching them that for Indians, allegiance to the King is vitally different from the allegiance which they owe to their Motherland. He has told his countrymen that an Englishman commits the crime of treason when he wages war against his King and his country, but an Indian is deemed to have committed the same offence when he wages war against his King only. In inspiring and undying words he has pointed out the significance of this discrimination and brought home to his countrymen the unquestionable duty of a son towards his mother; that his allegiance to his Motherland is supreme and paramount, when he gave this message to the people:

> "Unless you sell your own soul, how can you ever say that when you are fighting to liberate your own country, there is some other allegiance which prevents you from so doing. That means, that if that happens there is nothing but permanent slavery."

The formation of the Indian National Army during the war has shown how Indians of all communities can stand united in the service of their Motherland. Mr. Bhulabhai has enunciated a great truth which was, unfortunately, forgotten that a soldier fights for the country whose salt he eats and when the allegiance to his Motherland conflicts with his allegiance to his King, the allegiance to his Motherland must prevail and remain supreme.

## Indian Industrialisation—New Dangers Lying Ahead

Let me now enumerate a few of the new facts and forces that have appeared on the industrial front, since we met in October last, and examine briefly the manner in which they will seriously and vitally affect the future industrialisation of our country. Sir Ardeshir Dalal, the Planning Member, has resigned. The threat for the reduction of our Sterling Balances has been authoritatively delivered. The reduction of our tariff rates and the elimination of the so-called discriminatory practices has come within the purview of practical politics. The provisions for commercial safeguards shall, despite the universal opposition to them in the country, continue to disfigure the Statute Book. And the new gospel of co-operation between British and Indian enterprise as the surest basis for promoting the industrial development of India in the quickest and the most fruitful manner is being preached with Christian-like simplicity, among others, by Lord Wavell himself.

## Sir Ardeshir Resigns

Sir Ardeshir Dalal has told us that he has resigned for "personal reasons". I have full faith in his sincerity. I shall not, therefore, refer to the various reasons which are being suggested by odd rumours for his leaving the Executive Council. It cannot, however, be denied that the constitution of a new Co-ordination Department with Sir Eric Coates as its Secretary must have affected both the initiative and the independence

of the Planning Member. A new machinery has been set up to question his judgment and to revise his plans. Whether all this had added to his personal reasons or not, I cannot say. You will all, however, agree with me that now the pilot, in whose skill and sincerity we had faith, had to leave the wheel, our anxieties and our fears for the future cause of our industries have greatly increased.

### Payment of Sterling Balances—Will England Honour Her Debt ?

India has always maintained that there has never been any justification for the blocking of her Sterling Balances. She has again and again demanded that these should be convertible into multi-lateral currencies. They represented goods and services supplied by India to England causing serious privations to the people of this country and making them undergo unprecedented sacrifices. The myth that these goods and services were supplied at inflated prices has already been exploded and, as I have said before, the Parliamentary Committee themselves have admitted that they were supplied not only at reasonable rates but often at rates below the market prices. When the public in this country lodged their protest against the move in England, emanating as it was from influential quarters, to scale down these balances, we were lulled into a sense of false security, firstly by the assurances given by Lord Keynes, on behalf of His Majesty's Government, that they will "settle honourably what was honourably and generously given" to them and secondly by the categorical statement of His Excellency the Viceroy at the meeting of the Associated Chambers in 1944, when he assured its President that he shared "his entire confidence that these debts will be honoured". History has repeated itself and promises and assurances given, on behalf of His Majesty's Government, are once again treated as scraps of paper. America and England have conspired together and England is called upon, as a part of the recent financial agreement bewteen the two countries, to reduce the Sterling Balances due to India in two special ways. Such reductions are first to be made on the ground that they should be construed as war contributions due from India to England, although there is not the slightest justification for the demand for such a contribution, particularly when India has been bled white and financial burdens far beyond her capacity and endurance have already been imposed upon her for the prosecution of the war for the benefit of England. You will be interested to know that Mr. Churchill himself let out the secret in a recent debate in the House of Commons that Britain had always had a mental reservation that these balances would be reduced when the time of payment came round. He had to admit "I specially reserved this matter in the Cabinet in 1942, when I saw with disquietude these immense debts mounting against us night after night". And yet Mr. Churchill claims that they "do not in any way weaken public faith in the word of Britain". We would like to know from His Excellency Lord Wavell whether His Majesty's Government had informed the Government of India from the very start about these mental reservations and whether they were told that these

balances would be scaled down when the time for payment arrived. On the reply that would be given to India to this plain and frank question will depend what faith India should put in the word and assurances of the Government of Great Britain.

The Agreement, referred to above, further provides that there shall be a "proportionate reduction of the release or payments of Sterling Balances" when America agrees, at the request of England, to waive the payment of interest on the loan due to her by Great Britain. Moreover, even the balances left after such reductions are to be released only by instalments over a period of years beginning with 1951. This means that India will receive nothing except the amount that may be released at once out of these huge balances at a time when she will need them most for her own industrial development. Both the Government of India and the commercial community have considered it essential for the successful working of the national plan and the rapid industrialisation of India that these balances should be available to this country forthwith. Neither can India, therefore, agree to the scaling down of the Sterling Balances nor can she accept the proposal of their payment being spread over a number of years. India's convenience and requirements should and must prevail in the payment of these balances. It is, therefore, imperative that the Delegation that may be sent from India to England for the settlement of this vital question should be entrusted with the task of enforcing these views in any agreement that may be arrived at. It must include non-official Indians whose ability and integrity are above reproach and who enjoy the confidence of the people of this land.

### International Trade and Commercial Policy

As you all know, a preliminary international Conference on Trade and Employment will be held in March in Paris and the final Conference on the same subject in summer in America. The objects of this Conference are laudable. To remedy and prevent economic and social maladjustments, to achieve fairness and equity in economic relations between nations and to raise the level of economic well-being among all peoples is an ideal which every country will consider it its duty to achieve. One of the main proposals for the fulfilment of this task is to secure international co-operation for the removal of trade barriers and discriminatory practices which stand in the way of the expansion of multi-lateral trade and for securing full employment among nations. As admitted by Sir Stafford Cripps, the President of the Board of Trade, in the House of Commons, the acceptance of the broad proposals of the Commercial Policy set forth by the United States has been a condition precedent of the grant of the loan. As stated by him, "they are all essential parts of the whole scheme". I do not know whether the Government of India propose to consult the commercial community on the vital issues arising out of this commercial policy. It is announced that a Conference will be held amongst the Members of the Commonwealth shortly in England for arriving at some understanding as

to how the Commonwealth should proceed in this matter. It is not possible for me to examine in detail today within the time that is at my disposal the various issues which are raised by a number of proposals set forth by the American Government for the consideration of all nations. I am sure the Committee will set forth their considered views on this subject at an early date. I shall, therefore, content myself by referring to one or two broad aspects which are bound to affect the industrialisation of this country in the future. It is accepted as a policy by the Government of this country that its Tariff Policy requires to be liberalised. The proposed Commercial Policy, however, wants to reduce the existing tariffs. India wants to utilise her raw materials for turning them into finished products. The Commercial Policy lays down that all countries must have equal access to the raw materials of the world. We require capital goods for the rehabilitation of our existing industries as well as for the establishment of new industries in the country. The Commercial Policy says nothing about the unrestricted availability of capital goods to the countries of the world. Our industries may need subsidies for their healthy establishment and vigorous expansion. The Commercial Policy wants the subsidies to disappear. We want to develop the Swadeshi spirit in our land and therefore insist on our people patronising the products of India. The Commercial Policy insists that no movement should be carried on to discourage directly or indirectly importation or consumption of products of foreign lands. Our industries cannot attain in their present stage the standard of efficient production reached by other highly industrialised countries. If the international trade is to be expanded on the basis of this comparative efficiency in production, as laid down in the Commercial Policy, it is obvious that the products of our industries will have no place in such trade. The Commercial Policy aims again at the ensurement of full employment in the major industrial and trading countries. It, however, says nothing about such industrially backward countries as are badly in need of removing unemployment in their lands. You will, therefore, realise the immense difficulties that lie in our path. India cannot be said to have advanced industrially compared to countries like America and England. It can definitely be called an industrially backward country. You will agree with me that international economic co-operation amongst nations of the world can only be possible and can only be just if conditions are similar and if they have the same freedom to shape their own destiny. But to talk of such economic co-operation on the lines mentioned in the American proposals, already referred to by me, for achieving fairness and equity without first allowing industrially backward countries such as India to reach a proper national standard of economy, as is achieved by say England or America, is to cover your sins, as I said elsewhere, under the profession of pious sentiments. It is therefore, a matter of supreme importance to us that we should not be a party to the removal of trade barriers and discriminatory practices as set forth in the document issued by American Government. We should first develop our industrial strength, build up our industrial resources, achieve our industrial efficiency in the same way as England and America have done during all these cen-

turies, otherwise our dream for the rapid industrialisation of our country will be shattered and would be impossible to revive for years to come.

### When will the Commercial Safeguards Go?

India demanded with one voice that the Commercial Safeguards should go. The Planning Member admitted that without the deletion of the provisions for Commercial Safeguards, insuperable difficulties will lie in the path of national industries. The Planning Member failed in his Mission to England for securing the removal of these Safeguards. Lord Wavell has gone a step further. He has warned us that there would be no likelihood of the removal of these clauses, until the new Constitutional Act was enacted and a commercial treaty between Great Britain and India was signed. One wonders whether His Excellency fully realises that the menace of "India Limiteds" would grow up in full force in this country before that stage was reached, and the object of achieving rapid industrialisation for the benefit of India would not be achieved. The resignation of the Planning Member, the formation of a Co-ordination Department and the insistence on the maintenance of the Commercial Safeguards cannot inspire confidence in the sincerity and *bona fides* of the existing Government of India. Lord Wavell may call the existing Government as a National Government. He may shower upon them not only the button-holes but boquets laden with fragrant flowers. That does not and cannot alter the fact that they have not served the best interests of India. India is faced today with a fresh crisis in the matter of food. The National Government of Lord Wavell has done nothing to add to the sum total of the food in the country by their "Grow More Food Campaign". People suffer from malnutrition. Sugar is getting scarce. In an agricultural country like India, people are asked to use skimmed milk. His Excellency might praise his colleagues by telling the Indian public that so far as they are concerned "none are for a party but all are for the State". So far as the people of the country are concerned, they know that none of them is for the country, but everyone is for himself. It will be a miracle if industrialisation of India in the national interests of the country can proceed under such circumstances either with rapidity, efficiency or prosperity.

### Advice for Co-operation with British Enterprise—Who will Benefit—Britain or India?

At a time when India has made it clear that industrialisation of India will and can only mean that the industries of India shall be owned, controlled and managed by the nationals of the country and that the wealth which Indian industries would create should remain in the country itself, His Excellency has been pleased to give us a counsel of perfection by calling upon us to ensure and promate co-operation between British and Indian enterprise for the development of India's industries. His Excellency has conveyed to us his conviction that such co-operation was essential for securing the quickest industrial development of India in the most fruitful man-

ner. The Planning Committee has, however, warned us against the further inroad of foreign capital in this country. They have recalled the harm that such capital has done to India both economically and politically. Apart from the creation of new vested interests and the drain of wealth outside India, such co-operation, as advised by His Excellency the Viceroy between the British and Indian enterprises will only strengthen the imperial hold of Great Britain over India without adding to India's prosperity of breaking the bonds of political subjection. It is also a matter to be deeply deplored that responsible exponents of the policy of Indian States have been inviting foreign capital to their territories. They seem to tell them that British India may not offer you opportunities for exploitation. You can come to the States. We shall work as partners in the exploitation of our territories. These are very ominous signs of the times. The President of the Associated Chambers wants the Indians to withdraw all their capital from Burma, Malaya and other foreign lands, so that they may not have to borrow capital from other countries for the development of India's industries. We appreciate the friendly solace and the Christian goodwill inspiring this brotherly advice! May we, however, recall to the mind of the President of that body the truth of the old adage that an inch of practice is worth more than a ton of profession and suggest that they should sell off all their investments in this country, so that England may be able to liquidate a part, at any rate, of the debt which she owes to India? Let the President of the Associated Chambers take the lead and if he does so, I need not assure him that we shall not fail to heed the kind advice which he has given to us to withdraw our capital from all foreign countries. As regards co-operation between British and Indian enterprise and as regards the patronising advice of that body that such co-operation was for the benefit of India, may we ask those who are the exponents of such views whether they would work for the Indian and British co-operation for the expansion of industries in Great Britain? Co-operation cannot be a one-way traffic. It must be mutual. Let them give proofs of such mutual obligations and mutual responsibilities. Then only we can consider the advice which has often been given to us that Indian industrialisation is not possible without the co-operation of Britain with India. Till then, let us follow the path which is chalked out for us in our national interests and let us not fall into the trap which is so cleverly laid for us for building up our national industries by such co-operation. It will not be the co-operation amongst equals in a free country. It will be the co-operation between the rulers and the ruled. Experience of several decades has taught us that the sooner we stand on our own legs and be not beguiled by talks of such co-operation the better it will be for our national interests, our national peace and our national prosperity.

### Tribute to the Secretary, Mr. Jaisukhlal Mehta

Before I conclude my speech, allow me to say a word or two, not without a feeling mixed with joy and sorrow, about our Secretary and friend, Mr. J. K. Mehta. He has now been in harness for over 38 years. During

all this long period, he has served the Chamber with diligence, devotion and distinction. Simple at heart, serious in outlook, restrained but frank in expression, he has endeared himself to all who have come in contact with him by his ability, loyalty, friendly feeling and capacity for hard and sustained work. Our Chamber is the Shrine of the Commercial Community. One President after another has worshipped at this Shrine but only for a year. The only devotee who has remained steadfast in his worship all these years is our Secretary, Mr. J. K. Mehta. The capitalist knows his Secretary as one who writes his letters, drafts his speeches or attends to his personal work. The Chamber, however, finds that the Secretary is the creating, guiding and inspiring force which sustains its activities and enriches its life. I often wonder whether we fully realise and really appreciate the services rendered by a Secretary like Jaisukhlal to an institution like the Indian Merchants' Chamber. A Secretary is the real soul of the institution he serves. It, therefore, gives me great joy to acknowledge that Mr. Jaisukhlal has played a magnificent part in raising the Chamber from a small organisation trying to get the grievances of the merchants redressed into a powerful body which deals with our national problems. An institution like the Chamber has to represent as well as to create public opinion. Mr. Jaisukhlal has played an active part in the fulfilment of this great task. Whether it was the battle of the ratios or whether it was a protest against the sale of reverse councils, whether it was the crusade against the scandal of the Development Department or whether it was the mission to carry relief to those who suffered in the Gujerat Floods, it was the hard work, the anxious thought, the organising capacity and the driving force of Mr. Jaisukhlal which enabled the Chamber to fulfil its responsibilities with efficiency and success. Like all human institutions, the Chamber has also passed through a number of crises. Some of them shook the Chamber to its very foundations. Feelings often ran very high. Those who had built up the Chamber were ready to break it. A new Chamber was proposed to be built up on the ruins of the old. In all these crises, Mr. Jaisukhlal stood firm like a rock. He remained true to the institution all along. No prospects, however great, no pressure, however irresistible, no temptation, however alluring, could swerve him from the path of loyalty and allegiance to the Chamber. As the Poet has said :

"And the rain descended, and the floods came,
And the wind blew, an beat upon that house ;
An it fell not, for it was founded upon a rock."

So it was for the Chamber. It fell not, because Mr. Jaisukhlal was the rock on which it stood. It was this singular service of our Secretary which preserved the entity of our Chamber and kept it alive. And may I assure you, Mr. Jaisukhlal, that we are all grateful to you for keeping the flag flying and the flame burning all these years and may I suggest to you, Gentlemen, that as a mark of our appreciation and as a token of our affection for all that our friend, Jaisukhlal, has done for the Chamber, we should enrol him

as our Honorary Member and adorn our Committee Room by placing there an Oil Portrait of his. He is now on the eve of retirement. This will, therefore, be the last Annual Meeting which he will attend as its Secretary. I wish he had not come to the decision that he has taken. I must, however, admit that he has earned his rest well and he is fully justified in retiring from his present work and worries. Let us wish him a long and peaceful life in the pursuit of such activities as his soul yearns for and let us hope that the Chamber will find for ever a warm and affectionate place in his heart.

Allow me to take this opportunity, Gentlemen, of expressing my grateful thanks to all the members of the Committee for their consideration, co-operation and kindness. Without their active support and encouragement, it would not have been possible for me to discharge the responsibilities attached to the office of the President. I also consider it my duty to put on record my sense of appreciation of the great assistance which your Assistant Secretary, Mr. Ramalingam, has given me all throughout the period of my Presidentship. I am also thankful to all the members of the staff for their help and kindness and I need not add that I appreciate the readiness and cheerfulness with which they have carried out their duties and borne the burdens of our growing work.

With these words, Gentlemen, I commend to you the proposal for the adoption of the Report and the Accounts which I have already moved.

Mr. Mahomed Husein Hasham Premji, the Incoming President, then spoke as under :

GENTLEMEN,

Let me at the outset convey to you my sincere thanks for the honour you have done in electing me as the President of this great Institution for the ensuing year. The Chamber has, during the last 38 years of its existence, a record of glorious work to its credit. It has built up a reputation of its own, developed an orthodox rule of conduct governing its day to day activities, hitched its policy to the wagon of unadulterated nationalism in affairs economic, and created for the Indian commercial community a heritage of which we can legitimately be proud. It shall be my earnest endeavour to preserve and maintain that position of prestige and to strictly adhere to the traditions of the high office which I have been called upon to take and to justify the confidence that you have placed in me.

The Retiring President, Mr. Master, has in his usual forthright and incisive manner, dealt with some of the main issues which are at the moment agitating the public mind in this country. I would, with your permission, like to make some observations on certain matters which, in the normal course of business, have been engaging our attention.

## Enquiry into the Taxation Structure of the Country

The scheme of taxation obtaining in the country at present has, more or less, grown up in a haphazard manner. Over and above the taxes imposed by the Central Government, there are Provincial Taxes and further taxation by local authorities. It cannot be claimed that the scheme is the result of an integrated plan or was designed either initially or in subsequent stages in strict accordance with the accepted principles of taxation. Speaking generally the scheme also suffered from grievous defects and it does not conform or satisfy accepted cannons of taxation, such as equity, distribution of the burden, ability to pay and economy in collection, etc. In fact, previous enquiries into the subject had prominently brought out that the taxes were more or less dictated and shaped on grounds of expediency and the revenue exigencies of the Governments, both Provincial and Central. This defect in our taxation policy was very prominently brought out during the war. The Central Government found themselves faced with heavy deficits year after year and they resorted to the facile expedient of stepping up rates on existing items of taxation without any serious thought to the justification or otherwise, on scientific grounds, of such increases. Over and above the arbitrary increases in the rates of direct taxes by surcharges on income-tax, super-tax, Corporation tax and the levy of a new tax on Excess Profits, Government effected an all round increase in the Customs duties. They introduced measures levying Excise duties on articles of daily consumption by the common man, viz., tobacco, betel nut, matches, artificial silk yarn, vegetable, ghee, coffee, tea, etc. The most flagrant disregard of accepted principles of taxation was also shown in the steps they took in making the public utility undertakings and services of the country as vehicles of taxation. The surcharges on railway rates and fares were introduced and in many cases increased and the rates for postal services were enhanced. In the Provincial sphere also a number of new levies or increases in the existing rates were introduced. The same class of income came to be taxed both by the Centre, the Province and the local authorities although under different names. This has led to the unfortunate result of double taxation of the same income by two or more taxing authorities. For example, in Bombay, there is a high rate of tax on property levied by the Provincial Government calculated on the basis of the annual letting value. Again, the income from property is subject to income-tax levied by the Central Government and the tax paid to the Provincial Government, although at a substantial rate, is not even allowed to be treated as an item of expenditure for purposes of arriving at the quantum liable for taxation for Central Income-tax. There is, thus, evidently an obvious lack of co-ordination and planning in the resultant position in our tax structure.

The taxes levied during the war to meet the revenue exigencies of Government, at any rate, some of them are bound to go with the restoration of more normal conditions. The Finance Member of the Government of India, in his last Budget speech, did indicate and acknowledge that the scheme of taxation put into force during the war could not continue

with the cessation of hostilities. Although six months and more have lapsed since hostilities terminated, there is, so far, no indication of any relief in that direction. On the other hand, the legitimate fear remains that, as indicated in the Budget speech, the increasing demands on the financial resources of the State which the Government of the day will have to face, would involve a number of additional taxes such as the Estate Duty, Agricultural Income-tax and the Turnover Tax. The country has reached the limit in the burden that it is able to bear and unless substantial relief is forthcoming soon, it will seriously impair efforts of industrialisation and all-round economic progress.

My purpose, however, in referring today to this matter is to urge upon the Central Government the importance of undertaking a scientific examination of the existing tax structure in the country with a view to make the same more rational and suited to the requirements of the country. Complaint has been often made during the last few years that the taxation of income from industry particularly did not make the necessary allowance and provision for expansion, renewal and development and that a definite re-orientation in policy was very much overdue. The Provincial Governments with their ambitious programme of reconstruction are also reported to be embarking on new sources of revenue. The wind must be tempered to the shorn lamb and whatever the needs of the different taxing authorities in the country, let there be at least some attempt at co-ordination and also an honest effort to make the tax structure conform as nearly as possible to accepted theories and principles of taxation. It is relevant in this connection to mention that after the Tod Hunter Committee (Indian Taxation Enquiry Committee) reported in the year 1925, there has not been any scientific investigation of this problem. After 1925 considerable changes have taken place. The distribution of tax resources between the various authorities has been made more rigid and exclusive. As against this, the insatiable search for new sources of taxation is continuing. A general demand should, therefore, be made that the Government of India should lose no time in appointing a Committee consisting of a majority of representative non-official men to examine the incidence of the existing level of taxation and recommend steps necessary to make the tax structure more scientific and less oppressive.

### Proposed Sales Tax in Bombay

This naturally takes me to the Bill in embryo in Bombay for the introduction of a Sales Tax or to be more precise, a tax on turnover. It is proposed to levy a tax at the rate of half-anna in the rupee on the turnover of sales of goods to actual consumers, the tax to be recovered at the the hands of the dealers whose turnover exceeds Rs. 10,000 a year. Excepting for certain articles of common necessity such as foodgrains, cheap cloth, matches, sugar, vegetables, gur, salt, etc., the tax will be levied on the sale of all goods. The Indian Taxation Enquiry Committee in their Report observed that "taxes are compulsory contributions made by the

members of a community to the governing body of the same towards common expenditure". Common expenditure thus is the measure and the justification for the quantum and extent of taxation. This has been accepted as the first principle governing taxation and, at any rate, new taxation is not generally attempted by taxing authorities except to the extent justified by the revenue position. Applying this test, the proposal for levying a new tax of the above description in Bombay can, on no account, be justified. There is, in fact, no gap between revenue and expenditure requiring to be filled up by additional taxation. The budgetary position of the province has been quite good in recent years and as far as one can foresee the position, there is no likelihood of the provincial revenues being in deficit in the near future. The provincial finances, as a matter of fact, ended with a surplus of:

Rs. 161 lakhs in 1941|42
„ 191 lakhs in 1942|43
„ 370 lakhs in 1943|44
„ 90 lakhs in 1944|45.

Official forecasts, moreover, have estimated that for the quinquennium ending 1952|53 there would on an average, be a surplus margin of Rs. 2 crores between revenue and expenditure, other than the expenditure on post-war reconstruction. The levy is, however, sought to be explained as provision for meeting expenditure on post-war reconstruction. In this sphere also, Government have built up a reserve and before the end of 1947|48 a fund of Rs. 15 crores will be available, in this reserve. The scope, plan and extent of the reconstruction programme are main issues of fundamental importance which will have to be deliberated upon and decided by a properly constituted Government enjoying the confidence of the people of the province. The manner and method of financing it and the extent to which such financing should be undertaken by borrowing or otherwise are all matters of fundamental policy which only a Government with constitutional authority behind it can decide and act upon. Surely capital expenditure involving a large outlay and enuring to public benefit of a permanent and lasting character, particularly where such expenditure is intended to be of a productive nature, cannot be sought to be provided by revenue from fresh taxation unless one were to throw to the winds the accepted and recognised principles for providing for such outlay.

Apart thus from the lack of fiscal justification, the measure is particularly ill-timed in that constitutional changes of a vital character are expected to be in the offing. The present "care taker" Government which, to put it mildly, represent nobody, are loud in the protestations of their anxiety for entrusting the destinies of the province to a properly constituted representative Government and the anxiety to rush through this measure on the eve of such far-reaching changes is inexplicable. It is to be hoped that the powers under the present dispensation do not wish to confront the prospective popular Ministry with a *fait accompli* and to deprive

the elected Legislature of its constitutional right of deciding the nature and form of the credit which it is to vote for financing the reconstruction programme in Bombay.

It will not be out of place, at this stage, to speak on post-war reconstruction or planning for this Presidency for the proposed form of tax is to meet the financial needs of post-war reconstruction. Post-war reconstruction to be effective must be correlated in the determination of the various stages with similar planning in other parts of the country. Important problems such as allocation into various departments of planning will have to be decided and questions of priority determined. The most competent authority to do this is a National Government. Planning and expenditure in selected areas will not give that return for the outlay which is so essential if the resources of a poor country like India are to bear a return in consonance with the expenditure. This can only be possible if the Government enjoy public confidence and inspire enthusiasm among her people in any plans that are undertaken. Those aspects of the plan which are not absolutely urgent can be left over to the coming Provincial Government after the Elections are over, so that the National Government which may come into being may not have a legacy of expenditure which may retard the progress of the country.

Apart from the above objections on issues of broad policy, the tax itself would lead to results of an oppressive character with far-reaching consequences on the functioning of the normal trade machinery. Elaborate formalities have to be observed; the machinery for collection will have to be on a wide scale with the result that there is scope for a good deal of administrative oppression. Extraordinary powers are sought to be vested in the officers concerned with the collection of taxes. Powers of entry and search of any business premises are normally exercised only in matters involving offences of a criminal nature. The provision for the exercise of such powers in the ordinary course of enforcement of tax dues or in tax collection is bound to lead to results of an extremely oppressive character. The public in this province has in a singularly unmistakable manner expressed itself against the measure. Although we are aware that the Provincial Government, in its present form and composition, does not depend on public goodwill or public support for its continuance in office, I venture to hope that they will not be so foolhardy as to completely ignore the united voice of the people of the province and will not proceed with the further stages of enforcing this taxation measure.

### Tariff Board Enquiry

It has been a long-standing complaint that the country has suffered and is suffering from the absence of a proper Tariff Machinery, which can investigate the difficulties of industries, particularly those industries which have recently come into being under strenuous circumstances. The need for a machinery with initiative to recommend timely action to create favour-

able conditions for the development and expansion of such industries has been long felt. The Tariff Boards, as they functioned in the past, in the words of the then Chairman, Dr. John Matthai, were "neither fair to the Indian interests nor justified by economic considerations". They had narrow scope of operations and had, in fact, no power to initiate on their own, any investigations or to recommend measures of reform in the tariff structure. The Executive Government decided the pace and stages by which the Tariff Board should proceed. The need for a permanent machinery with enlarged scope of activities and a greater degree of intial freedom has long been emphasised. In countries like America and Australia there are permanent Tariff Commissions functioning throughout the year investigating, on their own, problems relating to industries with particular reference to tariffs and not being tied down by hide-bound rules relating to procedure and the scope and ambit of their activities. Along with such an active and permanent machinery, the need for a re-orientation in tariff policy devoid of the limitations inherent in the existing programme of discriminating protection has also been often stressed. As is not unusual with the Government in this country, although they have acknowledged that the tariff policy of the past is no longer suited to the requirements of the day, they have yet not been able to make up their mind regarding the lines on which that policy should be reshaped and adjusted to meet the practical requirements of the situation.

In response to public pressure of a continued nature, Government have, however, appointed a temporary Tariff Board under the Chairmanship of Sir Shanmukham Chetty to investigate the claims of industries which have been started or developed in war time for assistance or protection during the transition period. It is to be regretted that even in this restricted sphere of work, the *ad hoc* machinery is to be governed, more or less, by the general conditions governing tariff protection as in the past. There is no attempt to liberalise the procedure governing enquiries and investigations by the Board. The same insistence on the "natural or economic advantages enjoyed by the industry and its actual or probable costs" and its ability "to carry on successfully without protection or great assistance" vitally influences the decisions and recommendations of the Board. If the Tariff Board is to work out its scheme of protection in the light of these restrictions and after the usual formalities connected with a long and detailed enquiry regarding cost, prospects, comparative prices, etc., the large number of industries, which came into existence during the war and which have supplied the needs of the people and also met war needs during those years of stress and strain, will find themselves in difficulties and, perhaps, not be able to withstand the onslaught of foreign competition when the return of more normal factors make larger imports possible. The test should be whether the industry is meeting a national want and whether its continuance is an economic necessity. The urgency of the problem demands the adoption of a summary procedure and a guarantee that immediate help would be forthcoming. On that basis alone can India's industry survive the shock of the immediate post-war period. Again, protection granted to Industries

should be on a long term basis; the protective period of three years proposed for the present series of enquiries is extremely short and will not inspire sufficient public confidence. It is, therefore, very essential that the formalities connected with the enquiries are expedited and that the conditions governing the grant of protection are liberalised in a manner which would enable all the industries in the country in consolidating their position.

## Food Supply

During the last two or three years, we have had to concentrate attention on the different aspects concerning the problem of food supply to the people of the land. It is not my intention here today to go over the ground again. The statistical position relating to the average annual requirements of the country, the quantity of foodgrains produced here, the extent to which we are dependent on imported sources for meeting the balance of our requirements, the normal sources from which such assistance could be expected, are all by now matters of common knowledge. The reports which have appeared in the press regarding the consequences of the vagaries of the monsoon, natural calamities, like cyclones, crop failures and shortage in yield, all again give rise to fears that unless proper and energetic steps are taken without loss of time, the country may again have to go through the ordeals of privations and misery caused by under-feeing, if not starvation. The "Grow-More-Food" campaign has been a costly failure. It cost India not only in money, but in blood and misery. India has to depend and must depend upon imports if the people are to be saved from miseries and privations. Large areas in Bengal, Madras and centres in Bombay like Bijapur, are again in the throes of difficulties caused by inadequacy of food supplies. Public memory is proverbially short and although the horrors and the aftermath of the famine, particulary in Bengal, should have made the authorities alive to the long-range needs of the country, it is a matter for profound regret that, after the exhibition of an intial spurt, the plans and proposals for building up an adequate stock for absorbing the shocks of periodical shortages, have not been pursued with vigour and carried out in a manner which would enable the country to face the future with confidence. The Gregory Committee recommended, two and a half years ago, the need for building up a Central Foodgrain Reserve of half-a-million tons. This has not yet been done. That Committee also acknowledged the necessity for arranging imported supplies of foodgrains at the rate of a million tons a year. It is a matater of profound regret that in spite of the assurance that import programme has not been adhered to. We were assured of the supply of one hundred thousand tons a month during the past year. To the best of my knowledge, even this has not been fully implemented. We are told that there are large surpluses of rice in Siam and also in Burma and Indo-China. This country in the past was the principal consumer of this rice and must have a prior claim on any exportable surplus from these places. But even principals of important business-houses are not permitted to visit these countries; let alone facility to organise their trade, particularly

in regard to exports of rice which India needs so badly. It is the duty of the Government to see that India receives an adequate share of this exportable surplus. But the principal trouble is that those who represent India in International discussions connected with the allocation of supplies and other cognate matters are not fully alive to the circumstances of the country's case or the needs and requirements of her population. An official civilian, Sir Robert Hutchings, has been deputed to represent India on the Food Allocations Board of the United Nations. That role should and could have been more appropriately assigned to a son of the soil, in more intimate contact with the existing state of affairs in the country and with some practical and day-to-day experience of the food supply and distribution problem of India.

Allied to the problem of securing imported supplies is the important question of the machinery through which such supplies are arranged. Indian importers in the past controlled over 97 per cent of the imports of rice into this country and Ceylon. These importers, by virtue of their past experience, are eminently fitted to continue this service, thereby assisting the country to take all precautions necessary for ensuring that the supplies received are of proper quality and are handled in a manner which yield satisfactory results. These Indian traders should, therefore, be enabled to re-establish themselves in those countries and to retain their position and status which they enjoyed in the past. They are an essential link in our food supply organisation and unless they are restored to their proper position, India cannot feel confident that her interests in the matter of imported food supply will be satisfactorily looked after. It is the duty of the Government, therefore, to take all the steps necessary for the re-emergence of this trade machinery in its proper and pre-war strength and form.

### Indo-Burma Immigration Agreement

My excuse for once again reverting to Burma today is the important Indo-Burma Immigration Agreement which is now being discussed by the two Governments. A great many Conferences have been held in the past by the Government of India at which representative Indians have voiced their feelings, their apprehensions and their needs. The status, position and rights of our nationals have not only been guaranteed constitutionally, but further assurances of protection have been given in the British Parliament at the time of the passing of the Government of Burma Act, 1935. Yet, in spite of strong protests, this important question affecting the future of over one and a half million Indian souls is being discussed and considered behind closed doors. The Indian public has been kept in the dark and there is a legitimate fear that a signed and sealed document will be foisted on us. There is the added fear that our rights are being sold away slowly but surely. I have reason to believe that the right of free entry and re-entry guaranteed to Indians is being surrendered by the present Government. In this connection, I understand that a certain Indian Bank, which was in business in Burma before the war, was not permitted to send a new Manager

for its Branch in place of the old incumbent who could not go. Indians have a large and important economic stake in Burma and our traders played a vital part in the trade, commerce and industry in Burma. For a firm to continue to exist efficiently, it must have full facility to replace, replenish and reinforce its staff. Without this right, no commercial or industrial venture can continue for any length of time. This right has been granted to British nationals and has been enjoyed by them since the last six months and more. Even the Heads of important commercial houses, having stakes in Burma running into crores of rupees, were not permitted to set foot in that land, although subordinate officers of British firms were permitted freely, with all facilities for travel to and from Burma. What the Government of Burma could not do in the past, they are now trying to do by taking advantage of the exigencies of the war situation, thereby depriving Indians of their constitutional position. Indians have made Burma their second home. They were part and parcel of her economy ; more, they had become part and parcel of her people and had laid genuine roots in her soil when Burma was a part of India as Bengal or the Punjab. It is the duty of whichever Government exist in India to see that we are not thrown overboard.

## Transition Problems

The war-time economy of the country has been dominated by large-scale public expenditure which during 1944|45 amounted to nearly Rs. 900 crores, including expenditure on account of His Majesty's Government. An easy method of finance by the issue of currency notes against the accumulating sterling balance was found. On the termination of hostilities, however, the actual expenses of the Government still remain to be seen, but it is presumed that it would be considerably smaller than that budgetted. The fall in the scale of public expenditure and the consequent fall in employment, particularly in construction works and on account of the demobilised personnel arises. It is true that the pent-up consumer demand will, to some extent, make up the deficiency. It is my estimate, however, that the gap will still be of the nature of 300|350 crores of rupees. The Government of India is, at present, not in a position to actively pursue and execute some of its plans of reconstruction. Approved Provincial plans will be financed to the extent of about one-third to create and maintain some employment. It is, however, essential if the country is not to be thrown into a serious depression, that private enterprise should receive the greatest encouragement both by way of import of capital equipment and release of surplus stores. Thus alone can the country face and pass through this critical period. For this purpose, exchange restrictions must be removed, both in regard to imports and exports and foreign trade in keeping with the country's needs, surpluses and deficits properly and scientifically organised. Schemes of reconstruction must inspire the confidence of the people and create enthusiasm to be successful. This can only be done by a National Government and it is of the utmost importance that the present authorities should not leave an unhappy legacy involving a burden for their successors. Only such schemes,

particularly with regard to improvement of agriculture, supply of manures, agricultural implements, production of protective foods and fodder should be undertaken immediately, so that a Government responsible and responsive to the people, which might come into being, might pursue its plans and execute them in the best interests of the people.

The problem which is seriously agitating the minds of the public today, is the disposal policy of the Government of India about the war surplus. The Government has recently purchased American equipment in the country of the value of about Rs. 150 crores. These American stores consist of such items as hospital equipment, generators, engines, lorries and other equipment, vital to India's industries and her consumers. It is of prime importance to see that the people quickly and properly benefit from this purchase and its disposal should be expedited in the best possible manner and under proper direction and guidance of a Committee of responsible non-officials so that the country may receive its proper share of benefit.

Under the Empire Dollar Pool only 20 million dollars are made available annually to this country for its current requirement of dollar resources. This is negligible compared to what the country needs at present. Moreover, it is not clear as to what arrangements are proposed to be made for financing the payments of the value of the surplus material acquired from the U.S.A. The dollar resources released as part of the arrangements resulting from the Anglo-American Loan Agreement or the amounts available as India's share in the Dollar Pool should on no account be set off against these dues. India is in urgent need of these resources for financing her purchases of capital goods and the payments for the American surplus goods and stores should be so arranged as not to cause any strain on these resources.

With these words, Gentlemen, I second the proposal for the adoption of the Report and the Accounts.

## Mr. J. K. Mehta's Reply

Mr. J. K. Mehta, Secretary, in referring to the observations made by the President, Mr. Master, in his speech at the 38th Annual General Meeting of the Members of the Chamber, regarding his services to the Chamber for a period of 38 years, spoke as under :—

MR. PRESIDENT,

I am deeply obliged to you. In fact, I cannot find an apt expression for conveying to you my obligation, for the language and sentiments expressed in your speech delivered just now, appreciating my humble services to the cause of the Chamber. I thank you for allowing me to speak a few words for thanking you and other members of the Committee and of the Chamber for all that they have done to me during my connection with the Chamber extending now to four decades. It seems but yesterday that I joined the Chamber as Secretary. Time flies so quickly, and whether we like it

or not, a time comes in the life of every man and woman when they will have to sever their connections with their near and dear ones and with the institutions which they consider their own, which they have built up with their lifeblood, and which they have devoted their life to develop and expand. To me the Chamber was not merely a business organisation. I had ideals of my own for national awakening and I felt that the awakening of the commercial community was a vital factor in the awakening of the whole nation. When this Chamber started working, Indian trade, commerce and industries had no spokesmen and for all purposes had to bow down and submit to the edicts and dictates which came from non-Indian Chambers of Commerce which had the whip-hand of the Governments of those days. The fundamental question was how to free Indian business from the leading strings of European commerce. The first step taken in this direction was the organisation of Indian Chambers of Commerce. As soon as this step was taken, the link of bondage was snapped, and Indian businessmen emerged as free citizens. Of course, it did take time. Even now we have not yet completed this process; but Indian trade, commerce and industry since then shook off that domination and raised that banner of economic freedom which was taken up as a slogan by every Indian Chamber of Commerce and the Federation of Indian Chambers of Commerce and Industry, which became the connecting link of all the commercial organisations. It has been a great satisfaction to me that I was chosen as an humble instrument by an inscrutable Providence to render this service of cementing the unity of Indian business through Chambers of Commerce and through the Federation. As the President has said, this Chamber did not remain strictly glued up to red-tape and work which is ordinarily supposed to be the work of a Chamber. The Chamber took up work and based its campaigns upon all the big problems of the day. The Exchange question, the Reverse Councils, the Gujarat Floods, the Explosions, Industrialisation, and so on and so forth. The Chamber took up all these questions and more, putting forward a great output of work which resulted in the self-realisation of our countrymen.

I thank you, Mr. President and all, again, and hope that in my retirement I shall be able to do such work as lies in my power,—work not necessarily of an economic character but may be of a spiritual and social character also.

To quote a verse in Revelation :—

> " Behold, I stand at the door, and knock ;
> if any man hear my voice, and open the door,
> I will come in to him, and will sup with him
> and he with me."

At dead of night or in the burning heat of the noon, there may come a knock at our door, and woe to us if we do not get up and open it in response to that knock : for, who knows but that knock may have come from

the needy and the distressed, who represent in themselves the Light which illuminates the world. Do we not remember the saying:

> "Inasmuch as ye have done unto one of the least of my brethren, ye have done it unto Me?"

People are in need of relief, suffering from privation, sorrow and grief, —both physical and mental. Any relief to such people will be most welcome and is a part of the duty we all owe to the suffering humanity. Let us, therefore, be always ready and prepared to listen to any knock at our door.

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Mr. Ratilal M. Gandhi, the Incoming Vice-President, thanked the members of the Chamber for having elected him as Vice-President for the new year.

The proposition for the adoption of the Report and the Accounts was then put to the vote and carried unanimously.

The declaration of the results of the election of Office-bearers of the Chamber for 1946 was read by the Secretary, and the same was recorded.

Mr. Dhirajlal C. Modi proposed that Messrs. Devidas Vithaldas & Co. be appointed Auditors of the Chamber for the year 1946 and their remuneration for the work be fixed at Rs. 300.

The same was seconded by Mr. Ratilal M. Nanavati, and on being put to the vote carried unanimously.

Mr. Sarabhai Prataprai moved a vote of thanks to the Chair, and the same was seconded by Sir Behram N. Karanjia.

Mr. M. A. Master, the incoming President, put the proposition to vote and the same was carried with acclamation.

The meeting then terminated.

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## CHAIRMEN OF THE INDIAN MERCHANTS' CHAMBER

| | |
|---|---|
| 1907—13 | Sir Manmohandas Ramji. |
| 1913—14 | Sir Purshotamdas Thakurdas, C.I.E., M.B.E. |
| 1914—15 | Sir Fazulbhoy Curimbhoy, C.B.E. |
| 1915—16 | Sir Dinshaw Edulji Wacha. |
| 1916—17 | Sir Lallubhai Samaldas, C.I.E. |
| 1917—18 | Sir Vithaldas D. Thakersey. |
| 1918—19 | Sir Chunilal V. Mehta, K.C.S.I. |
| 1919—20 | Mr. Jehangir Bomanji Petit. |
| 1920—21 | Mr. Lalji Naranji. |
| 1922 | Sir Purshotamdas Thakurdas, C.I.E., M.B.E. |

| | |
|---|---|
| 1923 | Sir Fazulbhoy Currimbhoy, C.B.E. (from 24-2-23 to 3-9-23). |
| | Mr. Devidas Madhowji Thakersey (from 4-9-23 to 25-1-24). |
| 1924 | Sir Manmohandas Ramji. |
| 1925 | Sir Phiroze C. Sethna, O.B.E. |
| 1926 | Mr. Lalji Naranji. |
| 1927 | Mr. Walchand Hirachand. |
| 1928 | Sir Shapurji B. Billimoria, Kt., M.B.E. (from 31-1-28 to 20-3-38). |
| | Sir H. P. Mody (from 30-2-28 to 17-7-28) and |
| | Mr. L. R. Tairsee (from 28-7-28). |
| 1929 | Mr. L. R. Tairsee. |
| 1930 | Mr. Hooseinbhoy A. Lalljee. |
| 1931 | Sir Chunilal V. Mehta, K.C.S.I. |
| 1932 | Mr. B. N. Karanjia (till November). |
| | Mr. Mathuradas C. Matani (November to January). |
| 1933 | Sir Manmohandas Ramji. |
| 1934 | Sir Mathuradas Vissanji, Kt. |
| 1935 | Mr. Manu Subedar. |
| 1936 | The Hon'ble Sir Rahimtoola Chinoy, Kt. |
| 1937 | The Hon'ble Mr. Govindlal Shivlal Motilal. |
| 1938 | Mr. Gordhandas G. Morarjee. |
| 1939 | Mr. J. C. Setalvad. |
| 1940 | Sir Chunilal B. Mehta. |
| 1941 | Mr. M. C. Ghia. |
| 1942 | Mr. J. C. Setalvad. |
| 1943 | Mr. Haridas Madhavdas. |
| 1944 | Mr. Pranlal Devkaran Nanjee. |
| 1945 | Mr. M. A. Master. |

*Secretary* : Mr. J. K. Mehta.

*Assistant Secretaries* : Mr. A. C. Ramalingam,
Mr. K. P. Daru, and
Mr. P. M. Shah.

## CHAMBER'S REPRESENTATIVES ON PUBLIC BODIES—1945

**Central Legislative Assembly**

Mr. Manu Subedar.

**Bombay Legislative Assembly (Dissolved)**

Mr. M. C. Ghia.

**Bombay Port Trust**

1. Mr. Haridas Madhavdas.
2. Sir Behram N. Karanjia.
3. Mr. Ramdas Kilachand.
4. Mr. M. A. Master.
5. Mr. J. C. Setalvad.

**Bombay Municipal Corporation**
Mr. Bhawanji A. Khimji.

**Senate of Bombay University**
Mr. Mangaldas B. Mehta.

**Indian Central Cotton Committee**
Sir Chunilal B. Mehta.

**G. I. P. Rly. Local Advisory Committee**
Mr. Madhavlal M. Bhatt.

**B. B. & C. I. Rly. Local Advisory Committee**
Mr. C. S. Patel.

**Royal Institute of Science Advisory Committee**
Dr. K. A. Hamied.

**Bombay Development Department Advisory Committee**
Mr. Manu Subedar.

**Governing Body of the I.M.M.T.S. "Dufferin"**
Mr. M. A. Master.

**Indian Sailors Home Committee**
Mr. M. A. Master.

**Board of Communications**
Mr. Keshavprasad C. Desai.

**Traffic Advisory Committee, Bombay**
The Hon. Mr. M. N. Dalal.

**Sydenham College Advisory Board**
The Hon. Sir Rahimtoola Chinoy.

**Ramniranjan Anandilal Podar College of Commerce**
Sir Chunilal B. Mehta.

**Provincial Transport Authority under the Motor Vehicles Act**
Mr. J. C. Setalvad.

**Advisory Committee under the Trade Marks Act**
Mr. M. M. Amersey.

**Committee to co-ordinate the Post-war Development of Bombay**
Mr. M. A. Master.

**Provincial Industries Committee**
Mr. M. A. Master.

**Indian Coconut Committee**

Mr. K. M. Antia.

**Panel of the Railway Rates Advisory Committee**

1. Sir Purshotamdas Thakurdas.
2. Mr. Manu Subedar.
3. Sir Mathuradas Vissanji.
4. Sir Rahimtoola Chinoy.
5. Mr. Kapilram H. Vakil.

**Panel of Employers under the Industrial Disputes Act**

1. Mr. J. C. Setalvad.
2. M. M. Amersey.
3. Sir Behram N. Karanjia.
4. Mr. M. C. Ghia.
5. Mr. M. A. Master.

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## AD HOC BODIES CONSTITUTED AS A TEMPORARY MEASURE FOR PURPOSES CONNECTED WITH THE WAR

**War Supplies Advisory Committee, Bombay**

Mr. M. C. Ghia.

**Panel of Advisors re. Priority Recommendations for import of Machinery (1942)**

Mr. M. C. Ghia.

**Yarn Advisory Committee**

Mr. J. C. Setalvad.

**Advisory Committee for Coal and Coke**

Mr. Thakorelal H. Vakil.

**Transport Board Advisory Panel**

Mr. M. A. Master.

**Committee re. Requisitioning of godowns**

Mr. R. G. Saraiya.

**Advisory Panel for Transport of Gunnies and Hessians**

Mr. Haridas Madhavdas.

**Food Advisory Council**

Mr. J. C. Setalvad.

**Advisory Committee for exports of piecegoods and yarn**

Mr. Haridas Madhavdas.

**Advisory Committee re. Engineering Stores**

Mr. N. W. Gurjar.

Mr. V. M. Meswani.

**Committee re. Fixation of Prices for Imported textiles**

Mr. Chimanlal B. Parikh.

**Trade Panel re. Administration of the Hoarding and Profiteering (Prevention) Ordinance**

Mr. Haridas Madhavdas.

**Advisory Panel (Bombay) re. Paper Control and Distribution**

Mr. Manu Subedar.

**Railway and Traffic Panel re. Postwar Development of Bombay City and Suburbs**

Mr. M. A. Master.

**Provincial Industries Committee**

Mr. M. A. Master.

**Greater Bombay Scheme**

Mr. M. A. Master.

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## TRUSTEES OF THE CHAMBER

Mr. Gordhandas G. Morarji.

„ J. C. Setalvad.

„ M. C. Ghia.

Seth Chatrabhuj Gordhandas Soonderdas.

Sir Behram N. Karanjia.

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## OFFICE-BEARERS FOR THE YEAR 1946

**President:**

Mr. Mahomed Husein Hasam Premji.

**Vice-President:**

Mr. Ratilal Mulji Gandhi.

**Members of the Committee: Elected**

1. Mr. B. K. Setalvad.
2. „ Vijaysinh Govindji.
3. „ Ratilal M. Nanavati.

4. Sri Nagindas T. Master.
5. „ Bhawanji A. Khimji.
6. Mr. Sankalchand G. Shah.
7. Professor M. P. Gandhi.
8. Mr. R. G. Saraiya.
9. „ Chimanlal B. Parikh.
10. „ Panalal M. Chinai.
11. „ Dhirajlal C. Modi.
12. „ Mathuradas Canji Matani.
13. „ Sarabhai Prataprai.
14. „ Mohanlal A. Parikh.
15. „ Nandlal M. Bhuta.
16. „ Dawood Hajee Nasser.
17. Professor Sohrab R. Davar.
18. Mr. Madanmohan R. Ruia.
19. „ Haridas Motilal Parikh.
20. „ Jayantilal R. Trivedi.
21. „ Pheroze Behram Karanjia.
22. „ Chiranjilal R. Loyalka.
23. „ Vallabhdas Vasanji Mariwala.

**Co-opted :** (3 Individuals)

1. Sir Cowasji Jehangir, Bart.
2. Seth Pranlal Devkaran Nanjee.
3. Mr. Fazal Ibrahim Rahimtoola.

**20 Associations :**

1. The Grain Merchants' Association (Seth Khimji Shamji).
2. The Bombay Bullion Exchange, Ltd. (Mr. Lachhmandas H. Daga).
3. The Bombay Sugar Merchants' Association (Mr. Manekdal Ujamshi).
4. The Maharashtra Chamber of Commerce (Mr. M. L. Dahanukar).
5. The Seeds Traders Association (Mr. Ramdas Kilachand).
6. The Bombay Rice Merchants' Association (Mr. Dewjee Tokarsee Mooljee).
7. The Bombay Iron Merchants' Association (Mr. A. A. Jasdenwala).
8. The Chamber of Income-tax Consultants (Mr. Bhogilal C. Shah).
9. The Indian National Steamships Owners' Association (Mr. Ratanchand Hirachand).
10. The Bombay Kariana, Colour and Chemical Merchants' Association (Mr. Khatau Vallabhdas).

11. The Bombay Cotton Merchants' and Muccadams Association (Mr. Purshotamdas H. Shah).
12. The Mahratta Chamber of Commerce and Industries (Mr. B. S. Dabke).
13. The Indian Stock Exchange, Ltd. (Sir Chunilal B. Mehta).
14. The Indian Life Assurance Offices' Association (Mr. Babubhai K. Shah).
15. The Association of Indian Importers of Dyestuffs (Mr. K. H. Kabbur).
16. The Africa and Overseas Merchants' Chamber (Mr. Hooseinbhoy A. Lalljee).
17. The Memon Chamber of Commerce (Mr. Alhaj E. Motiwalla).
18. The Textile Stores and Machinery Merchants' Association (Bombay Presidency) (Mr. G. A. Kulkarni).
19. The Silk and Art Silk Mills Association (Mr. Ramdeo A. Podar).
20. The Association of Electrical Undertakings (Bombay Province) (Mr. N. C. Javeri).

**Ex-Officio :**

1. Mr. Manu Subedar, M.L.A. (Central), (Central Legislative Assembly).
2. „ Chhitabhai S. Patel, M.L.A. (Bombay Legislative Assembly).
3. „ J. C. Setalvad (Bombay Port Trust).
4. „ M. A. Master (Bombay Port Trust).
5. Sir Behram N. Karanjia (Bombay Port Trust).
6. Seth Haridas Madhavdas (Bombay Port Trust).
7. Mr. Mangaldas B. Mehta (University of Bombay).
8. The Hon'ble Sir Rahimtoola M. Chinoy (Sydenham College of Commerce Advisory Committee).
9. Mr. Madhavlal M. Bhatt (G.I.P. Rly. Local Advisory Committee).
10. Seth Chatrabhuj Gordhandas (Trustee of the Chamber).
11. Mr. M. C. Ghia (Trustee of the Chamber).
12. „ Gordhandas G. Morarji (Trustee of the Chamber).
13. „ Keshavprasad C. Desai (Bombay Board of Communications).
14. Dr. K. A. Hamied (Royal Institute of Science Advisory Committee).
15. The Hon'ble Mr. Manockji N. Dalal (Traffic Advisory Committee).
16. Mr. C. A. Buch (Indian Sailors' Home Committee).

Mr. J. K. Mehta, M.A., (Secretary).
„ A. C. Ramalingam (Assistant Secretary).
„ K. P. Daru (Assistant Secretary).
„ P. M. Shah (Assistant Secretary).

## LIST OF JOURNALS AND PERIODICALS RECEIVED IN THE LIBRARY OF THE INDIAN MERCHANTS' CHAMBER

### Quarterly

1. Journal of the Council for Scientific and Industrial Research (Australia).
2. *Journal of the Scientific & Industrial Research, New Delhi.
3. The Journal of the Indian Institute of Bankers.
4. *Round Table.
5. Journal of the University of Bombay.
6. Indian Journal of Social Work.
7. *Indian Quarterly, New Delhi.

### Monthly

1. *Monthly Bulletin of Statistics issued by the League of Nations.
2. International Conciliation.
3. London Chamber of Commerce Journal.
4. Monthly Journal of the Liverpool Chamber of Commerce.
5. " " " Manchester " "
6. " " " Bradford " "
7. The Commercial Review, Alleppey.
8. Southern India Commerce.
9. *National Geographical Magazine.
10. Mercantile Guardian.
11. *International Labour Review.
12. Bombay Labour Gazette.
13. Monthly Sea-borne Trade Return of British India.
14. Monthly Statistics of Cotton, Shipping and Weaving in Indian Mills.
15. Raw Cotton Trade Statistics.
16. Joint Stock Companies.
17. *Modern Review.
18. *Asia.
19. Indian Concrete Journal.
20. Monthly Review of the Lloyds Bank.
21. " " " National City Bank of New York.
22. " " " Federal Reserve Bank.
23. Mysore Economic Journal.
24. Tisco Review.

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* Subscribed for by the Chamber.

25. *Fortune (U.S.A.).
26. Safety News.
27. *Indian Textile Journal.
28. *Indian Home.
29. The Ceylon Trade Journal.
30. Journal of the Motion Picture Society.
31. Guaranty Survey.
32. *New Indian Antiquary.
33. Marketing in India.
34. Austral News.

**Fortnightly**

1. Insurance Review.
2. *Income-tax Report.
3. Journal of the Joint Stock Companies.
4. Public Information Series.

**Weekly**

1. *Economist.
2. *New Statesman and Nation.
3. *Commerce, Bombay.
4. *Indian Finance.
5. Indian Trade Journal.
6. Foreign Commerce Weekly (U.S.A.).
7. Industrial and Labour Information (I.L.O.)
8. *Eastern Economist.
9. *Bombay Government Gazette.
10. *Gazette of India.
11. Commerce and Industry.
12. *Roy's Weekly.
13. *Indian Social Reformer.
14. The Financial News.
15. *Kesari (Bi-Weekly).
16. Annalist.
17. *Capital.
18. *Time.
19. *Life.
20. China Information Bulletin.
21. *Forum.
22. *Blitz.

Occasional

1. Central Legislative Assembly Debates.
2. Council of State Debates.
3. *Publications of the International Labour Office.
4. Indian Tea Statistics.
5. Indian Coffee Statistics.
6. Indian Agricultural Statistics.
7. Wholesale Price of certain Staple Articles of Trade at Selected Stations in India.
8. *Publications of the League of Nations.
9. Bulletins issued by the United States Bureau of Labour Statistics.
10. Bulletins issued by the Government of Bombay, Department of Industry.
11. Bulletins issued by the Government of Bombay, Agricultural Department.
12. Bulletins issued by the Council of Agricultural Research Commonwealth of Australia.
13. Reports of several Chambers of Commerce and other Commercial Associations.
14. Reports of Tariff Board.
15. Publications issued by the Department of Commercial Intelligence and Statistics.

Gujerati Periodicals

1. Khetiwadi Vignan.
2. Prasthan.
3. Majur Sandesh.

REPORT OF THE COMMITTEE

OF

# THE INDIAN MERCHANTS' CHAMBER

**For the year 1945 presented at the 38th Annual General Meeting of the Chamber held on 24th January 1946**

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Your Committee have pleasure in presenting the 38th Annual Report of your Chamber. During the course of the year 40 meetings of the Committee and over 80 meetings of the various Sub-Committees were held, the work done being of a varied and important nature.

The subjects dealt with by your Committee have been grouped under the following main heads :—


(1) Transport and Communications (Page No. 1)

(2) Finance, Tariff and Taxation (Page No. 27)

(3) Trade, Industrial and Labour Legislation (Page No. 58)

(4) General Trade and Industry (Page No. 63)

(5) General (Page No. 110)

## I. TRANSPORT AND COMMUNICATIONS

### Rules relating to handling of dangerous cargo in ports and Rule 45-B of the Defence of India Rules

As published in the Summary Report of the Committee for the year 1944 the Committee had addressed the War Transport Department of the Government of India regarding the advisability of taking the trade interests into confidence before issuing any rules for ordinances affecting trade, commerce and industry. They had also objected to the practice of allowing dangerous cargoes alongside other cargoes and had requested Government to discontinue such practice. Objection was also taken to ships carrying dangerous explosives being allowed to unload on quay. Reference was also made to the restrictions imposed on the elected Trustees of the Port Trust to consult their constituencies in regard to certain matters pertaining to Port Trust not connected with security.

Government in their reply dated 22nd May 1945 informed the Committee that it was not possible to consult the commercial community before any rule or ordinance affecting trade or commerce was issued. An assurance was, however, given that whereever possible commercial interests would be consulted.

With regard to the discharge of dangerous cargoes in docks, security provisions already existed under regulations issued under Rule 88(2) of the Major Ports Control Order. Attention of the Committee was drawn to the Compensation Ordinance under which compensation was allowed against damage caused by the Bombay Explosions. They were, however, not in a position to commit themselves in advance to make good all losses by an omnibus assurance. They were also not in a position to modify Rule 45-B as applied to the Port Trustees for security reasons.

The Committee further pursued the matter in their communication dated 23rd June 1945 addressed to the Government of India. It was emphasised that in all matters connected with trade, commerce and industry, the commercial community should be consulted before any rules or ordinances affecting them were issued. If the Port Trust as also Government disowned any liability for loss or damage resulting from inflammable and dangerous

commodities brought into the docks, the trade would be left unprotected. Under the circumstances, it was the duty of Government to give a categorical assurance that loss or damage caused as above would be properly compensated.

The Committee regretted the decision of Government not to modify the provisions of Rule 45-B. They stated that thereby the position of the elected Trustees was rendered untenable, and they were not in a position to consult their constituencies even on matters where no security reasons existed. It was urged that Government should reconsider the matter and enable the representatives of the Chamber on the Bombay Port Trust to place before them all matters in which the Chamber was vitally interested.

## Appointment of Consulting Engineers to the Different Railways and Port Trusts in the Country

The Committee, in their communication dated 1st June addressed to the Department of War Transport, referred to the representation which the Indian Chamber of Commerce, Calcutta, had made to Government in connection with the appointment of consulting engineers to the different railways and port trusts in the country, and pointed out that at present the services of only one or two British firms were exclusively enlisted whenever the railways or port trusts required expert advice of consulting engineers. Such a position, the Committee felt, was unsatisfactory and they urged that it was no longer necessary to continue the services of any of the British firms but that the same should be Indianised and recourse should be taken to foreign firms only in case the Panel of Indian Consultants thought it desirable to consult such foreign firms. They requested Government to consider this question in all its aspects and Indianise the whole consulting panel.

## Working of Country Craft Control

In their detailed communication addressed to the Country Craft Organization Officer, dated 27th March, the Committee referred to the difficulties experienced by merchants carrying cargo by country craft as a result of the operation of route scheme enforced by the War Transport Department by their Notification dated 30th August 1944, and observed that on account of the priorities accorded under this scheme to military cargoes like ordnance stores,

tiles and timber for export from Malabar and Kanara ports, it had become increasingly difficult for shippers of commercial cargoes to secure vessels for the export of their merchandise to the ports on the West Coast.

The Committee in this connection felt that the operation of the route scheme without co-ordination between various Government departments had resulted in severe losses to those who had entered into various contracts with different Government departments for the supply of non-priority commodities within a specified period, commodities like firewood, etc., which could only be moved by the help of country craft. The Committee, therefore, requested the authorities to make suitable changes in the grant of priorities in order to set right the grave situation that had been prevailing on the West-Coast and particularly on the Malabar and Kanara coasts.

### Sea Passages for Indians to Mauritius

The Committee in their communication dated 29th November addressed to the Government of India drew attention to a large number of Indians residing in Mauritius desiring to return to their homeland in India which could be managed only if fresh personnel for their offices were allowed to go to Mauritius and thus relieve them for voyage to India. They also drew attention to the fact that Government were prepared to register the names of Indians desiring to proceed to Mauritius and referred to the Mauritius Textile Merchants' Association which had submitted a list of the passengers anxious to proceed to Mauritius to the Ministry of War Transport. A steamer was about to leave Bombay for Mauritius in December. It was urged that Government would secure as much accommodation for Indians desiring to go to Mauritius by the steamer scheduled to leave Bombay for Mauritius.

### Resumption of Passenger and Cargo Service by Steamers

In their communication dated 19th September addressed to the Controller of Indian Shipping, Government of India, the Committee referred to the resolution passed by the citizens of Bhavnagar, Jafarabad, Mhowa, Cutch, etc., at a public meeting held in Bombay, and drew attention to the difficulties of the above ports by the discontinuance of the passenger and cargo service between such ports due to wartime conditions. Committee suggested that

as the war had now ended, the above steamer service should be resumed and Government should release the required number of vessels for the carriage of passengers and cargoes from Bombay to the different ports as well as between the ports *inter se*.

### Duration of Shipping Bills

In their communication dated 24th September addressed to the Collector of Customs, Bombay, the Committee drew attention to the practice whereunder if goods were not shipped within 3 months from the date of noting the shipping bills, the bills were deemed to have been cancelled and shippers were required to prepare new shipping bills. They in this connection referred to the many difficulties of the shippers regarding the existing shortage of shipping space, inability of steamers to take full cargo, difficulty in finding freight space for shut-out and unshipped cargo for a considerable length of time, etc. Under such circumstances the 3 months' period allowed in case of shipping bills would run out in many instances and the shippers might not be able to renew the 3 months' old shipping bills in time to catch the first boat available for shipping cargoes awaiting shipment. It was suggested that in such circumstances the present practice should be suspended and old shipping bills expiring after 3 months should be allowed to be revalidated by an endorsement extending their period, to remove the present difficulty of the shippers.

The Collector in his reply informed the Committee that the relaxation would be granted on merits of individual cases.

### Reservation of Berths for Steamers by the Port Trust

The Committee in their communication dated 14th November drew the attention of the Bombay Port Trust authorities to the practice of ships berthed in the harbour discharging their cargoes in more than one shed, which was not the practice previously. The Committee stressed that the practice was acting as a hardship to the consignees to clear cargoes from more than one shed. Besides, such would prove more expensive for the purpose of clearance. It was urged that the vessels discharging cargoes should not be moved from berth to berth before unloading all the cargoes on board. The Port Trust in their reply dated 7th December informed the Committee that some vessels with part cargoes of ammunition

had of necessity to split their cargoes for discharge at several sheds. It was stated that with the possible reduction of imports of dangerous cargoes in future, the position complained of would ease.

**Steamer Freight for Cotton from Bombay and Karachi to Calicut**

The Committee in their communication dated 25th October addressed to the Controller of Indian Shipping, referred to the difficulties experienced by the mills in Calicut for arranging transport of supplies of cotton from Karachi and Bombay. In view of the shortage of textile goods in the country, the Committee urged that arrangements for transport of cotton from Bombay and Karachi to Calicut should be speedily made to enable the mills at Calicut to continue their manufacturing activities. The Controller in his reply dated 26th October informed the Committee that the consignments awaiting shipment at Bombay and Karachi would be lifted shortly.

**Bunkering of Coal for Steamers Chartered by the Principal Sea Transport Officer**

The Committee in their communication dated 6th December addressed to the Government of India referred to the Ministry of War Transport, United Kingdom, accepting the "history" principle for the purpose of arrangements for bunkering of steamers chartered or leased out by them whereunder such bunkering work was entrusted to the channels through which the same was done by the original owners of the steamers prior to the war. They, however, pointed out that the same principle was not observed by the Principal Sea Transport Officer in India so far as ships leased out by him were concerned. Whatever might have been the justification for the principle not being observed by the Officer during wartime, it was felt that the normal channels of trade should now be allowed to handle such bunkering since the war was over. They drew attention to the unfairness of the practice in not accepting the "history" principle even during the war and stated that no harm could have been done to Government by allowing the usual trade channels to bunker chartered and leased out steamers. It was urged that instructions be issued to allow the usual trade channels to resume the work of bunkering the steamers leased out or chartered by the Principal Sea Transport Officer.

## Air Travel to U. K. in the Post-war Period

In reply to a letter dated 8th March 1945 received from His Majesty's Trade Commissioner at Bombay, the Committee in their communication dated 23rd March informed the Trade Commissioner that looking to the increasing air-mindedness all over the world, Indian businessmen were likely to take to air travel provided facilities governing such travel were reasonably attractive and the fares were not comparably high.

The Committee desired to know as to the steps which the British Overseas Airways Corporation and other such undertakings which intend to operate air services were expected to take with a view to create conditions favouring active participation of Indian-owned services in the traffic in question, and emphasised that due consideration and weight would be given to this aspect by the British Overseas Airways Corporation in their plans in future.

## Future Transport Policy—Rail-road Co-ordination

The Committee in their telegram dated 21st February addressed to the War Transport Department referred to Press-reports relating to future transport policy with particular reference to the question of rail-road co-ordination, and observed that road transport was performing an essential function by providing an alternative service and that they saw no justification for the railways being in any way authorised to interfere with or interest themselves in acquiring road transport with a view to co-ordinate it with railway transport. The Committee requested the authorities that they should not take any decision on this vital matter without giving full opportunity to the commercial community to express their considered views.

## Rail-road Co-ordination Scheme in the Bombay Presidency

The Committee in their communication dated 28th September referred to the press-note issued by the Government of Bombay in connection with rail-road co-ordination scheme in the province whereunder such co-ordination would be based zonally by dividing the province into different zones, viz.: Gujarat, Deccan, Karnatak and Konkan ; each zone under the scheme would be operated by a limited company with a share capital to be divided among the present operators, railways, the Provincial Government and the promoters of the company. The Committee informed the Govern-

ment that they were opposed to the scheme, which required radical revision. In the first instance, they objected that the railways and the Provincial Government should have any financial interest in the road transport services, as such interests would be detrimental to private enterprise which had done so much in developing such road transport. They were of the opinion that the services should be allowed to be operated by the present owners subject to such regulations and controls which Government would find necessary to be incorporated into the Rules and Regulations controlling such transport services. Under the Government scheme, a monopoly basis would be created which was objectionable to the Committee. They felt that private ownership in such transport services would profitably introduce some element of competition which should result in efficiency and regularity. They suggested the establishment of an *ad hoc* board which would look after the interests of the public as well as the operators.

Government in their reply dated 15th October informed the Committee that Government were not in a position to accept the suggestions made by them.

## Motor Spare Parts Trade and Government Scheme of taking over Motor Transport all over India

In their communication dated 14th April addressed to the Government of India the Committee drew attention to their policy of rail-road co-ordination and pointed out that the same would affect the interests of those dealing in motor spare parts and accessories. Attention was also drawn to the Government arrangement to import spare parts on their own account either under the Lend-Lease or on cash and carry basis which arrangement would result in eliminating the usual trade channels. There were nearly 2,000 firms in the country doing business in motor accessories which would be hard hit if Government's import scheme was put into operation. It was urged that in any such scheme of import the usual trade channels should be allowed to function by granting the trade concerned quotas for acquiring the goods.

## Withdrawal of Restriction on Petrol Consumption

The Committee in their telegram dated 24th August addressed to the Government of India, strongly appealed for the complete

withdrawal of restrictions on petrol consumption immediately. It was stated that the recent announcement of Government increasing the basic quota was not enough. In view of the cessation of hostilities Government should take early steps for the entire removal of restrictions on the consumption of petrol. They referred to the serious difficulties experienced regarding securing motor tyres, tubes, accessories and other motor parts and requested that the position of such supplies should be immediately looked into and necessary relief given to the public.

Government in their letter dated August 29th, assured the Committee that they would increase the rationing of petrol and even remove the existing restrictions as soon as the supply position rendered such a step possible. Regarding the difficulties in the procurement of tyres, tubes, etc. the Tyre Rationing Officer of the Government of India in his reply dated 7th September assured the Committee that substantial increases in the quotas for tyres and tubes had been allowed to the Provincial rationing authorities for distribution to civil users. He was of the opinion that the public would not experience any difficulty in such procurement in future.

Similarly the Chief Controller of Road Transport and Development, Government of India, in his reply dated 20th August informed the Committee that his Department was freely allowing imports of motor spare parts from the U. K. as also all essential parts from the U. S. A. and Canada upto the maximum quota allowed by those countries.

**Proposed Introduction of a System of forced Draught Ventilation for the Passenger Coaches over the G. I. P. Railway**

The Chamber's representative on the Local Advisory Committee of the G. I. P. Railway drew attention to the proposal of the railway that a system of forced ventilation should be provided in all carriages which would mean that air would be forced by electric blowers through ducts into carriages requiring the windows to be permanently fixed. The Committee informed their representative that the proposal in question was not suited for the purpose of third class travel, as the third class passengers were not accustomed to travel with windows permanently closed. It was also felt that under the existing conditions of third-class travel in the

country, arrangements such as proposed by the railway would prove unhygienic and not conducive to the health of the passengers.

## Amenities for Third Class Passengers

On 16th June 1945 the Committee forwarded to the G. I. P. Railway their views regarding amenities for the Third Class Passengers in the post-war period in response to a memorandum received from the Railway Board on the question. The Committee at the outset drew pointed attention to the fact that the real patrons of the railways were the Third Class passengers who constituted nearly 96 to 97 per cent of the total passengers carried on the railway. They contributed over 85 per cent of the earnings from passenger traffic. In spite of the above, the third class passenger was subjected to almost inhuman treatment which was humiliating in the extreme. The war conditions had made the privations of the third class passenger unbearable. The Committee dealt with the various aspects of the question in great detail and suggested various improvements which would lighten the inconveniences which are at present the lot of the unfortunate third class passenger.

## Difficulties relating to Railway Travel

In their telegraphic communication dated 30th May 1945 addressed to the Hon'ble Member for War Transport, the Committee referred to the appalling conditions of railway travel in the country especially on the B. B. & C. I. Railway where the situation was deteriorating resulting in great hardships to the travelling public. They in this connection referred to the several representations made by different Chambers of Commerce and Public Associations including this Chamber, and observed that no satisfactory measures were taken by the authorities. They in particular requested in this connection that the Kathiawar Express might be continued to run relieving thereby the congestion of passengers to Kathiawar side.

The War Transport Member in his reply dated 12th July informed the Committee that the coal situation had not still eased as also war demands had not decreased. He, however, assured them that the first priority would be given to the running of the Kathiawar Express as soon as conditions permitted.

## Overcrowding in Railway Trains

In their telegram dated 21st February addressed to the War Transport Department, Government of India, the Committee referred to the appalling conditions of travel prevailing over the railways at present and the inadequacy of the service both in number and capacity, and urged that immediate steps be taken to increase the fleet of bogies with a view to enable passengers to travel comfortably and at scheduled times to attend to their work in offices and industrial concerns. The Committee also referred to the insanitary conditions obtaining in compartments as also the absence of facilities of lighting and urged that steps be taken to improve the situation.

Government in their communication dated 2nd March observed that the problem created by the increase in population and increased activities of the people was most complex and the Railway Board were doing their best to overcome the difficulties by all possible means within their reach. They, however, expressed their inability that no substantial improvement could be made at the present time owing to the shortage of coal, the requirements of the maximum quantity of coaching stock for the transport of armed forces and the difficulties of construction of new coaching stock during the war owing to shortage of timber and steel. As regards the lighting arrangements, the Railway Board observed that the situation had been created largely due to the thefts of lighting bulbs as also partly on account of the shortage of supply of this article, and assured the Committee that measures had been taken by the promulgation of an ordinance to deal effectively with the prevalence of thefts of railway stores and equipment and hoped that the deficiency in such arrangements would be overcome within a short period.

## Special Forms for obtaining Tickets for Upper Class Passengers on the B. B. & C. I. Railway

The Committee in their letter dated 31st May referred to the special form introduced by the authorities of the B. B. & C. I. Railway for obtaining upper-class tickets and pointed out that it was not fair to treat all passengers as members of a racket desiring to outdo the railway administration by taking advantage of the present emergency and resorting to trafficking in railway tickets.

They urged that the special form in question should be withdrawn with a request that the upper-class passengers should not be required to fill in the same.

The Railway in their reply dated 9th June informed the Committee that the above practice had been introduced to safeguard the public themselves as many persons were in the habit of sending for tickets through third parties and it was to prevent any third party from slipping in under the pretence of such a transaction that this form had been introduced. It was, however, stated that if any well-known person telephoned for reservation of such a ticket, discretion would be exercised. The Committee further pursued this matter in their communication dated 14th June pointing out that the present procedure had been introduced as a result of their inability to meet the existing situation. The Declaration required to be signed by persons intending to reserve berths was not only morally unjust but was practically undesirable. It was not possible for busy people to present themselves in person before the booking officer and wait for an indefinite period. They also felt that the concession in the case of well-known persons was also impracticable in the sense that it was not possible for the railway authorities to judge as to who were well-known persons or otherwise. Besides, such a discretion introduced an element of discrimination which was hardly justified for a public utility company. As the Railway's reply was not satisfactory, the Committee entrusted the matter to their representative on the Local Advisory Committee of the Railway for being pursued further.

**Rounding off of Railway Fares to the nearest One Anna**

In their letter dated 10th August addressed to the Railway Board the Committee stated that they were given to understand that the Board had recently issued instructions to the individual railway administrations to the effect that in future they should charge on local service a minimum fare of one anna and that the fares should be rounded off to the nearest anna. If the above information was correct, they felt that it would be tantamount to raising the railway fares. Formerly the fares were adjusted to a minimum of one pice. Later they were raised to half an anna and subsequently on the ground of shortage of small coins the fares were rounded off to the nearest anna. As small coin position had improved, there was no justification for introducing a

burden on the travelling public in the manner suggested above which would be greatly resented by the public.

The Railway Board in their reply dated 8th October informed the Committee that the fares had been raised to minimum one anna with a view to discourage short distance travel of less than a mile in the interest of suburban passengers who travelled longer distances. There was also another reason in that it was anomalous that the charge for a journey by train should be less than an anna while the platform tickets were charged at one anna. It was also stated in justification that bus and tram fares were not less than one anna, and therefore, the railways were justified in charging the minimum fare of one anna. The Committee requested their representatives on the Local Advisory Committees of the two railways to take up the matter further with those bodies.

## Clearance of Goods from the Sheds at Wadi Bunder and Carnac Bridge

In their communication dated 27th September addressed to the Chief Traffic Managers, G. I. P. Railway and B. B. & C. I. Railway, the Committee referred to the rules relating to clearing goods received in the sheds whereunder the parties concerned were required to clear the goods on the day following the day of arrival. As against this, Committee pointed out the difficulty stating that if goods arrive by an afternoon train intimation regarding the arrival would naturally reach the clearing agents late in the evening. Accordingly the clearing agents would not be in a position to inform the consignees before office hours and the clearance of the goods would therefore be not possible on the day following the arrival of the goods. They, therefore, suggested that if the goods arrive after 3 p.m. on any particular day, the goods should be deemed to have arrived on the following day for the purpose of calculating the free period, to avoid the difficulty experienced by the clearing agents in giving due intimation to the consignees.

The G. I. P. Railway in their reply dated 24th October informed the Committee that the free time allowed at Wadi Bunder had always been one day excluding the day on which goods were being made available for delivery.

## Carrying of Cotton Cloth as Personal Luggage to Kathiawar

As published in the Summary Report of the Chamber for 1944, the Committee were in correspondence with the Textile Commissioner in connection with the quantity of cloth to be allowed as personal luggage to passengers for Kathiawar. They had suggested that the quantity of cloth be allowed to the extent of 10 lbs. as personal luggage. The Textile Commissioner in his reply dated 30th December, 1944, informed the Committee that the matter had already been considered by his Department and regretted that he could not change the decision arrived at by him.

## Back Railing of Cotton from Bombay to Mill Areas in Gujarat and Malva

The Committee in their communication dated 24th September addressed to the Cotton Movements Committee, Bombay, stressed that cotton stocks in Bombay should be allowed to be back-railed to mill areas in Gujarat and Malva, as it was given to understand that the cotton stocks in Bombay were in surplus and that if such movement was allowed the burden of the stock position would be removed. It was stated that as the war had now ended, such a relaxation was possible in the control on the movements of cotton.

## Booking of Consignments of Cotton from Stations in C. P. and Berar to Bombay

In their communication dated 14th July addressed to the G. I. P. Railway, the Committee drew their attention that under the Cotton Control Movement Order consignments of cotton were accepted for traffic in wagon loads in units of 100 bales on the broad gauge and 90 bales on the narrow gauge stations over the G. I. P. Railway. In this connection it was pointed out that the unit of 90 bales on the narrow gauge was causing difficulty to the trade as cotton transactions were based on units of 50 bales, as a result of which contract unit was not adhered to. They suggested that while realising the difficulty arising out of the narrow gauge, the railway should agree to accommodate the trade by moving fractional lots at rates applicable to wagon loads.

The Chief Traffic Manager of the G. I. P. Railway in his reply dated 12th October informed the Committee that it was

not possible for them to disturb the present practice of allowing 90 bales for a wagon on the Railway.

## Movement of Gunny Bags from Bombay City and Suburbs

The Committee in their communication dated 8th November addressed to the Director of Civil Supplies drew attention to the prohibition on the movement of new gunny bags by rail, sea or road from the Bombay City and suburban district to any place in India except under a licence, and stated that this restriction was acting as a great hardship to the trade concerned as also to the consumers outside Bombay, who were accustomed to secure their requirements of such bags from dealers in Bombay. Besides, mofussil centres were not in a position to get their supplies of gunnies direct from Calcutta in wagon loads as their needs did not justify such large quantities being contracted for. Bombay could easily supply their requirements of such gunnies in whatever quantities they were required. It was, therefore, urged that the above restriction should be removed in the interests of mofussil consumers of gunny bags.

The Director in his reply dated 19th December informed the Committee that the removal of the ban was already under consideration of the Government of Bombay.

## Permits for Export of Groundnut Oil to Districts within the Province

The Karnatak Oil Millowners' Association approached the Committee on behalf of the Mahalaxmi Co., Ltd., Bijapur, in connection with the difficulties experienced by the oil mill in obtaining permits for exports of groundnut oil to districts within the province. The daily production of oil by the mill would amount to about four tons if full capacity was utilised. The local consumption being comparatively very small, a large surplus would remain to be disposed of, which could only be disposed of if permits were granted to them for export to districts within the province. In reply to their applications for such permits, the District Magistrate would issue such permits only after inspection of stocks. This, the oil mill felt was an impossible condition to be fulfilled for day to day operations. The Committee, in this connection, addressed the Director of Civil Supplies, urging that

Government should issue instructions to the District authorities to ensure the timely grant of permits on a practical basis for the export of groundnut oil from Bijapur to the extent to which the supplies of oil were in excess of the local demand.

### Transport of Oil Seeds to Panvel Taluq

In their communication dated 2nd August addressed to the Director of Civil Supplies, Bombay, the Committee referred to the difficulties experienced by the oil mills at Panvel owned by Messrs. N. R. Jethalal & Co., as a result of lack of transport facilities for bringing oil seeds from different centres at Panvel. In this connection they also referred to the arrangement of the Government of Bombay whereunder the oil mills in Bombay were allotted definite quotas of oilseeds for their mills and suggested that a similar arrangement should also be devised for the oil mills at Panvel, whereby they could secure seeds for crushing.

The Director in his reply dated 11th August informed the Committee that even under the existing arrangements made for securing oilseeds for Bombay mills, the supplies were not being received as expected. He, therefore, advised that the mills in the rest of the province should secure seed supplies from districts within the province.

### Transport Facilities for Movement of Dates

The Committee in their communication dated 29th November addressed to the G. I. P. Railway referred to the war-time difficulty of securing transport facilities for despatching dry and wet dates, dried fruits, etc. from Bombay to upcountry centres in India, and requested that as the war had now been over, such facilities should be resumed ; more wagons should be made available for such transport. The trade had suffered considerably during the war-time on account of the perishable nature of the commodity which should be borne in mind by the railway authorities and adequate facilities should be given for such transport.

The Railway in their reply dated 6th December informed the Committee that if it was not possible for the goods to move under the standing priority, the Regional Controller of Railway Priorities concerned with the destination station may be approached for priority assistance.

### Booking of Consignments of Glass Sheets

In their communication addressed to the G. I. P. Railway the Committee requested that as bookings for building materials were allowed at Wadi Bunder, glass should also be accepted for booking, it being an important material used in the construction of buildings.

### Movement of Tobacco from Guntur to Bombay

In their communication dated 7th June addressed to the Board of Transport, Bombay, the Committee represented the difficulties of Messrs. Golden Tobacco Co., in getting their purchases of tobacco from Guntur to Bombay for use in their factory. As restrictions were placed on such movement, the company was finding it difficult to meet their requirements of such tobacco. The alternative suggested to them was to get such tobacco to Bombay by sea-cum-rail route. As sea route would not be suitable during the monsoon season, the Committee requested the Board that sufficient number of wagons should be allotted to the company to bring their goods to meet their requirements during the monsoon.

In their communication dated 6th September addressed to the Regional Controller of Railway Priorities, the Committee recommended that Messrs. Maple Tobacco Co., Bombay, should be given priority for movement of their consignments of tobacco from Guntur to Bombay as the transport of tobacco by sea route was likely to deteriorate the quality of tobacco.

### Transport of Metal Scraps of Aluminium, Brass, Copper, etc.

In their letter dated 15th March addressed to the Regional Controller of Railway Priorities, Bombay, the Committee drew the attention to the restriction on the transport of scraps of aluminium, brass, copper, etc. and desired to know why such restrictions should have been placed on such movement. The Controller in his reply dated 27th March stated that movements of copper, brass and aluminium scrap were general into Bombay and therefore such movements out of Bombay were undesirable from the point of view of both supply and transport.

### Movement of British Indian Manufacturers into the Nizam's Territory

At the instance of Messrs. Godrej & Boyce Manufacturing Co., Ltd., the Committee addressed a communication to the Gov-

ernment of India on 17th April drawing their attention to the unfair methods by which the Nizam's State was preventing the entry of British Indian manufactures into its territory. Under the present procedure for movement of goods on railways the consignor has to satisfy the railway authorities of the urgency of his goods at destination. The Nizam's Government had informed Messrs. Godrej that permission for moving steel furniture from Bombay to Hyderabad could not be granted as the material in question was being made locally in that State. It was therefore not possible for Messrs. Godrej to get priority of movement from Bombay as they were not in a position to prove the urgency at destination. Attention of Government was drawn to the fact that such security equipments manufactured in H. E. H. the Nizam's States territory were however freely entering the British Indian territory without any restriction. The Committee felt that the manufactures of Messrs. Godrej under the circumstances above narrated, were prevented from entering the State on irrelevant grounds which had no bearing on the main purpose underlying such control governing movement by priority. It was urged that Government should take up the matter with the authorities concerned in the Nizam's State with a view to such discrimination against British Indian products being removed.

### Changes in the Priority List for Movement of Goods

At the instance of the Navjivan Roller Flour Mills, Dohad, the Committee in their communication addressed to the Regional Controller of Railway Priorities, referred to the new Priority List that came into operation from the 1st May and referred to the class given to private movement of foodgrains as a result of which great hardship was caused to those who did not consign foodgrains on Government account. In this connection they referred to the former class, viz. III (*a*) which greatly facilitated private movement of foodgrains and urged that the new class, viz. VI (*i*) was causing great difficulties to the commercial community. They, therefore, requested the authorities to place private movement of foodgrains under class III (*a*), as it was originally in operation. In their communication dated 13th December addressed to the Regional Controller of Railway Priorities, Bombay, the Committee

referred to the revised edition of the Priority List as in force from 15th October 1945 whereunder movement of foodgrains and foodstuffs under Government account was placed under Class II while such movement on private account was placed under Class V, with the result that private movements got a very low priority. It was urged that a higher rating of priority should be granted to such private movements preferably next in order of importance to official movement of foodstuffs.

**Higher Transport Priority for Cattle Feed over the Railways**

In their communication dated 28th July addressed to the Regional Controller of Railway Priorities, the Committee referred to the high rate of priority, viz. Class III(*b*)(*ii*) given to livestock and stated that in comparison the low priority given to the cattle feed was unjustifiable which was partly responsible for shortage of milk as milk supply depended greatly on the availability of cattle feed in sufficient quantities. They suggested increase in the import of cattle heads as a remedial measure for supplying adequate quantities of milk in the city. As more heads of cattle would be imported, more and more necessity for further supplies of cattle feed would arise. It would therefore be proper that cattle feed including fodder and oil-cakes should be given the same rating for purposes of priority as livestock.

The Controller in his reply dated 3rd August informed the Committee that though fodder was under Class IX, approved and recommended, movements under a higher priority depended on the wagon situation at the time. The Committee in a further communication dated 10th August brought to his notice that cattle feed was imported for meeting the requirements in Bombay from centres in U.P. and C.P., in which connection difficulty was experienced in getting priority on the B.N. and E.I. Railways for movement of these supplies. If movement of chuni was not facilitated by a higher priority being granted, centres like Bombay which had to depend for supply on external sources would have to suffer. It was urged that the authorities of the B.N. and E.I. Railways should be persuaded to grant a high rate of priority for movement of chuni over their railways. A request was made that movement of livestock and articles of perishable nature should not be hampered during periods when railway booking was closed.

## Freight Classification for Woods used for the Manufacture of Bobbins

Messrs. Metro Wood Works Ltd., Kalol, Bobbin Manufacturers, represented to the Chamber that while railway freight charges for general woods from Rawalpindi were as low as Rs. 0-14-6 per md., the railway was charging them for maple and walnut woods secured from Kashmir at the rate of Rs. 3-4-6 per md. The difficulty with the manufacturers of bobbins was that the maple and walnut woods of the Kashmir variety were found more suitable for the manufacture, but that their transport charges were so exhorbitant in comparison with the charges for other woods in as much as they had to suffer a comparative loss of nearly Rs. 15 thousand. The Committee thereupon on 13th November addressed the Railway Board drawing their attention to the difference in freight charges for Kashmir varieties and general woods which was acting as a great hardship on industrial manufacturers who preferred maple and walnut woods from the Kashmir State. Committee stressed the present policy of Government of encouraging industries and giving them facilities and stated that the railway administration should look into this matter and reduce the exhorbitant freight charges for maple and walnut woods from Kashmir State to enable the bobbin industry to develop and prosper.

## Railway Classification of Charcoal Gas Producing Plants for Motor Cars

In their communication dated 15th June addressed to the Indian Railway Conference Association the Committee drew their attention that the above plants were not allowed to be booked by goods train as a result of which heavy passenger freight had to be paid for the transport of the same. They also pointed out that there was no separate classification for such plants. It was, therefore, suggested that a separate classification at a lower rate should be introduced in the Goods Tariff or alternatively restrictions on their booking by goods trains should be removed.

## Classification of Toilet Requisites

At the instance of a member-firm, the Committee addressed a communication on 14th May to the Railway Board suggesting that a uniform system of classification for Toilet Requisites be introduced by all the state-owned railways, as it was found that the

G. I. P. Railway was classifying Toilet Requisites, mixed under 6 R. R. while the B. N. and the B. B. & C. I. Railways were not treating the article under the same category. The Committee therefore requested that a uniform system be established.

The B. B. & C. I. Railway in their letter dated 18th May observed that scents which were separately classified under a different entry could not obviously be charged at the same rate as for Toilet Requisites, N. O. C. In this connection, they pointed out that the entry, Toilet Requisites, mixed, 6 R. R., was changed to Toilet Requisites N.O.C. 6 R. R. according to the recommendations of the Indian Railway Conference Association, Commercial Committee Meeting No. 34 of 12-7-1937. The existence of the entry, Toilet Requisites, mixed, gave rise to an anomaly as certain articles of use, such as Cream Toilet, Cream Dental, Powders, etc. when booked, were charged separately at 8th Class rates and when mixed together declared as Toilet Requisites, mixed freight was levied at 6th Class rate. With a view to remove this anomaly, the Commercial Committee changed the classification as referred to above.

The Committee in their further communication dated the 1st June thanked the B. B. & C. I. Railway for a clear explanation of the position and emphasised the main point that whatever classification railways might desire to introduce, there should be a uniformity in the same to avoid inconvenience to the commercial community.

### Suggestions from the Indian Railway Conference Association Re: Classification

The Committee in their communication addressed to the Indian Railway Conference Association suggested classifications of two types of goods as under :—

Hand Punches—to be classified as "Tools—4 R. R."

Jute Yarn—to be classified as "Jute manufactured and N.O.C. —4 R. R."

### Storage Accommodation at Railway Stations for Tobacco

It was represented to the Committee by the tobacco interests concerned that difficulties were experienced by the trade in arrang-

ing for transport of tobacco by railways in the absence of proper storing and warehousing facilities at the despatching stations. The Committee in their communication dated 28th June addressed to the Central Board of Revenue drew attention to the above difficulty and stated that as tobacco was a commodity paying a high rate of Excise duty, Government should give the trade the necessary facilities and conveniences by putting up godowns and warehouses at despatching stations. It was contended that such facilities were more needed in the monsoon season as tobacco was liable to deteriorate if no such accommodation was provided for.

A similar communication was also addressed to the Railway Board whereunder it was also urged that the restriction for booking within a distance of 40 miles should be removed in case of tobacco. This restriction was affecting adversely the interests concerned, especially during the monsoon season.

The Board in their reply dated 17th September stated that the railways, not being accountable for any articles unless same were booked, could not undertake provision for storage facilities for goods prior to booking for despatch. It was also suggested that the trade could build such accommodation for themselves near such despatching stations, for which the trade should approach the railway administration.

### Diversion of Empty Tank Wagons from Bina and Katni for bringing Linseed Oil to Bombay

In their communication dated 13th December addressed to the Transport Board, the Committee referred to the stoppage of diversion of empty tank wagons from Bina and Katni to Saugar and Damoh on the G. I. P. Railway for bringing linseed oil to Bombay and requested that the facility till now offered for bringing linseed oil to Bombay should be continued to be given to the party concerned.

### Air Mail Letters—Time and Date for Delivery

The Committee in their communication dated 29th November addressed to the Post Master General, Bombay, requested the postal authorities to resume their old practice of publishing for general information, the time and date of delivery at post offices of air-mail letters to foreign countries.

## Communications between India and Siam

The Committee, on 12th October 1945, addressed the Government of India drawing attention to the urgent necessity of establishing postal communications between India and Siam, which was now a liberated country. It was stated that a large number of Indians habiting Siam, had no contact with India during the war period. They cited the case of Malaya, Singapore, Burma, etc. where postal communications had been established and urged that Siam should also receive such benefit as a result of which friends and relatives of Indians in Siam would be able to establish contact between themselves. It was also stated that the restoration of communication between Siam and India was necessary in the interests of traders who had long established connections with that country.

Government in their reply informed the Committee that letter mail communication had since been established between India and Siam.

## Withdrawal of Censorship on Private and Commercial Correspondence including Telegrams and Cablegrams

In their telegram dated 27th August addressed to the Government of India the Committee stressed that there was no justification for continuing censorship on private postal and telegraphic communications, both internal and overseas, as the war had now ended. Reference was made to the removal of such restrictions immediately on the termination of hostilities in U. K. and U. S. A. They stated that the removal of censorship on press was not enough and suggested that all restrictions on private communications, postal and telegraphs, both internal and overseas, should be forthwith lifted. It was pointed out that the commercial community was the greatest sufferer on account of such censorship which caused delays in deliveries, etc. They also suggested that the use of telegraphic addresses and telegrams rendered in codes should be restored.

## Delay in Postal Deliveries

As published in the Summary Report for 1944, the Committee had addressed a letter to the Postmaster-General, Bombay, in connection with the delay in Postal deliveries. The Postmaster-

General in his letter dated 2nd January, 1945, informed the Committee that steps had been taken to improve the service and assured them that they would not have any complaints in future regarding the same.

### Delay in Transmission and Delivery of Inland Letters

In their communication dated 14th July addressed to the Post-Master-General, the Committee drew attention to the late delivery of letters meant for mofussil centres like Surat, Ahmedabad and Baroda resulting in inconvenience to the commercial community. They suggested that if such delay was caused through censorship of such letters, the censorship regulations should be relaxed in view of the easy war situation. Attention was also drawn to the fact that even in England such censorship was being relaxed.

### Delivery of Letters Addressed to Persons C/o. Post Box Number

At the instance of a member-firm, the Committee addressed the Presidency Postmaster, Bombay, on the 19th July drawing his attention to the letters addressed to individuals marked c/o. a post-box number not being placed in the post-box concerned but being delivered by the post-peons to the individual addresses. The Committee felt in this connection that apart from the case of an individual renter, in the case of a firm the legitimate personnel of the firm should be allowed to use the box number for the receipt of unregistered post. The Presidency Postmaster in his reply dated 23rd July informed the Committee that no restrictions had been imposed for the use of the post-box by the legitimate personnel of a firm provided the name of the firm and the number of the post-box were clearly written in the address.

### Congestion in the Telephone Service

The General Manager, Telephones, Bombay District, in his letter dated the 27th July drew the attention of the Committee to the heavy traffic congestion on the Bombay Telephone system and suggested that the members of the Chamber should be requested to reduce the number of calls made on the lines particularly in the hours of 11 a.m. and 5-30 p.m. He informed the Committee that the average number of calls in Bombay far exceeded such calls

in England. The telephone service in Bombay was being put to a great stress by the extraordinary number of calls made by the subscribers. If the situation was to be saved, the subscribers should voluntarily put a limit on the number of calls. He also suggested that the telephone subscribers should be persuaded to learn the method of putting in a call in the interest of efficient service.

The Committee in their reply dated 25th August drew the attention of the Manager to the changed conditions that would now prevail as a result of the termination of hostilities. A large load of military calls would be lifted off the telephone service which was expected to give a great relief in the present congestion in the service. They also referred to the easy conditions of securing new telephone equipment owing to the end of the war and hoped that with the expected reduction in the load on the service, the telephone service would function in the normal way.

### Unsatisfactory Conditions of Telephone Service in Bombay

The Committee in their letter dated 7th December addressed to the General Manager, Telephones, Bombay District, referred to the general unsatisfactory condition of the telephone service in the city and pointed out that complaints received in that connection from the public related to a large number of wrong numbers received by the telephone users. In many cases, telephone connections were difficult to get at and many lines remained inoperative for long intervals and that there were considerable delays in attending to such complaints in regard to individual connections. It was pointed out that the telephone users during the war period had borne these difficulties without much complaint, but now as the war had ended and load on the service had eased, they could rightfully urge the authorities concerned to give specific attention to such individual complaints. The Committee urged that the whole position in respect of defective telephone services should be reviewed at the earliest opportunity and effective steps should be taken to put the service on a normal and efficient footing.

### New Telephone Connections

In their communication dated 14th November addressed to the General Manager, Telephones, Bombay, the Committee referred to the great scarcity of telephone connections in the city

justifiably due to war needs, and urged that as the war was now over, civilian demands for new connections should be adequately met.

### Trunk Telephone Calls at Half Rate

At the instance of a member-firm, the Committee addressed the Postmaster-General, Bombay, on 14th November drawing his attention that before the war trunk calls were allowed to be made between the hours of 8 p.m. and 8 a.m. at half rates. As a war-time necessity, such time for half rate calls was reduced and fixed between 10 p.m. and 6 a.m. Committee requested that as the war had now come to an end, the original arrangement should be resumed for the benefit of the commercial community.

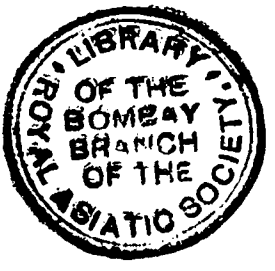
### Trunk Telephone Accounts and Departmental Vagaries

In a communication addressed to the Director of Posts and Telegraphs, the Committee complained that certain subscribers were put on the proscribed lists for non-payment of bills for trunk calls made and that even after the bills were paid the subscribers continued to be on such lists for sometime because of absence of timely intimation from the Accounts Department to the Operating Side about receipt of such payments. They cited the instance of Messrs. Madhavlal & Co., Ltd., a member-firm of the Chamber who had been continued on the proscribed list even after they had paid their bills and as a result of which their request for certain trunk calls was not acceded to. It was urged that such irregularities should be put a stop to as otherwise the subscribers would be put to avoidable inconvenience.

### Bombay Telephone Directory

The Committee in their communication dated 19th September addressed to the General Manager, Telephones, Bombay District, referred to the pre-war normal features of the Bombay Telephone Directory, viz. : numerical index, full addresses of the subscribers, numbers of the subscribers of Ahmedabad and Karachi, which features were deleted in war-time conditions. Committee stressed that the above features should now again be incorporated in the

Directory as the war had come to an end and as the paper supply position had improved. The General Manager, in his reply dated 24th September, informed the Committee that the question of incorporating in the Directory some of its pre-war features was under consideration of the Director-General of Posts and Telegraphs.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## II. FINANCE, TARIFF AND TAXATION

### Budget of the Government of India for 1945-46

The Committee issued a statement on 1st March on the Budget of the Government of India for the year 1945-46 drawing attention to the colossal sum exceeding Rs. 1,700 crores incurred and estimated for defence expenditure during the last 6 years ending 31st March 1946. They also expressed surprise that while revised estimates of defence expenditure for 1943-44 were put at a little over Rs. 262 crores at the end of February 1944, the actual expenditure debited to the Defence Department at the end of 31st March 1944 came to Rs. 358 crores. The huge addition of 100 crores in the course of 4 to 6 weeks reflects no credit to the Finance Department. Such expenditure should have been foreseen by the Finance Department. They felt doubtful as to whether such a huge amount of money could have been spent in the real interests of India.

They referred to the financial settlement under which crores of rupees could be debited to Indian defence expenditure if the Indian troops fought on the Indian soil while such defence expenditure could be transferred to His Majesty's Government if the troops fought on the foreign soil although the distance between the two places might be only a few miles. The Committee were of opinion that the military operations based in India were in the larger interests of the Allied Nations and India should not have been saddled with such a huge amount of expenditure as if such expenditure was for her own local defence.

Reference was made to the statement of President Roosevelt that the contribution of the Allies to war expenditure for protection of common interests should be proportionate to the capacity of each country. The spirit of the statement has not been followed while allocating war expenditure to a poor country like India.

The Committee felt that in the absence of any power in the hands of the Indians to scrutinise such huge Defence Bills and to conduct war operations, it was not fair to have saddled India with such huge military expenditure which was incurred in the name of the Government of India.

It was deplored that the Government of India should have ignored every appeal to start key industries during the progress of the war, such as aircraft, shipbuilding, automobiles, steel, chemicals, etc. whereas other countries like Canada and Australia had developed such industries in the midst of the war.

The statement referred to the view of the Finance Member that the war-time taxation had left scope for reserves at the disposal of the industry for meeting post-war calls on capital. Such a view, they felt, was contrary to facts as the war-time scheme of taxation not only took away all the extra profits, but it also made serious inroads in several cases in the standard profits of industries. It was emphasised that the Finance Member should have felt the necessity of allowing depreciation on the replacement cost of the industries as the Government of India have done in case of railways where nearly 4 crores of rupees were to be added to their depreciation fund every year. On the contrary the Finance Member had increased the burden on the industries by levying an additional surcharge of 3 pies on their earnings.

The Committee disagreed with the view of the Government that the Hydari Mission was to bring relief to India. The large amount of consumer goods to be imported into India under the scheme of imports was not likely to prove beneficial to the indigenous industries which were started during the war.

The Committee feared that an attempt was being made to bypass the issue of repayment of India's sterling balances by saying that such an issue cannot be considered nor solved before the total German defeat. The question of such repayment was most vital to the future growth and development of industries in India and it was upto the Government of India and His Majesty's Government to assure the Indian public of the full repayment of the balances as soon as it was possible to do so. Earmarking of 20 million dollars for the years 1944 and 1945 for India's post-war development could bring no relief in the present situation. It was but right that provision should have been made for the necessary dollar credits for future needs. The Committee felt that the justification by the Finance Member of state-ownership of industries on the basis that it would provide a source of additional revenue in the country, ignored the experience of other countries which had adopted such a roll for the state.

## Railway Budget for 1945-46

The Committee in their telegraphic communication dated 16th February forwarded their views to the authorities, on the Railway Budget for 1945-46, the main points being as under :—

At the outset, the Committee referred to the peculiar feature of railway budgeting and pointed out that it had become a peculiar feature of every railway budget during the last quinquennium that the surpluses showed remarkably progressive increases even in the same year when the budget was presented and when the sums were revised and the final accounts settled. They in this connection referred to the figures presented from the year 1940-41 to 1945-46 in order to strengthen their contention referred to above. The Committee observed that in spite of the increasing surpluses in the budget estimates, it was regrettable that no provision had been made during all these years to provide amenities to third class passengers. Neither the sanitary and lighting arrangements were satisfactory both in the local and up-country train services nor was adequate accommodation provided to passengers who had as a result of depleted accommodation to travel many a time on foot-boards at the risk of their lives. The Committee therefore invited the attention of the War Transport Member to this fact and urged to provide adequate facilities for accommodation, lighting and sanitary arrangements.

Although the real surplus during each of the years 1944-45 and 1945-46 was a little over the huge figure of 66 crores, the new principles of railway finance enunciated by the War Transport Member, such as debiting a major part of the capital cost of new locomotives and wagons to working expenses had reduced it to 42 crores in 1945-46 and 36 crores in 1945-46. The Committee, in this connection observed that they were afraid that this was a procedure to conceal from the public eye the colossal surpluses which the railway finance had acquired. They however expressed the hope that the Finance Member would rise to the occasion and recognise that industrial organisations which were working under private enterprise would also be given the same amount of relief as was given to railways.

Referring to the orders placed to import locomotives and wagons from overseas, the Committee regretted that no arrangement had been made to manufacture such articles during all these

years in India and compared the situation prevailing in some of the Dominions like Australia and New Zealand where the respective Governments had initiated plans to manufacture these articles during the days of war.

The Committee referred to the observations of the War Transport Member namely that the railways were operated to the extent of 99.34 per cent by Indians, and pointed out that the real policy with regard to the railways rested with the 1,800 and odd non-Indians, and therefore the whole control and administration and the shaping of railway policy rested with those 1,800 people and not with the 99 and odd per cent Indians.

## Anglo-American Loan Agreement

The statement issued by the Committee on the Anglo-American Loan Agreement stressed the following points :—

(i) Although the terms and conditions governing the Dollar loan were not matters of direct concern to India, there were certain main issues arising out of the Agreement which were of vital concern to India, viz. : the proposals governing the treatment and disposal of the Sterling Balances and the commitment regarding the acceptance of a policy suited to multilateral trade.

(ii) The settlement of Sterling Debts of the U. K. would be on the basis of (*a*) balances to be released at once and convertible into any currency, (*b*) balances to be released by instalments for a period of years beginning from 1951, and (*c*) balances to be adjusted as a contribution to the settlement of post-war indebtedness. The Sterling Balances represented the compulsory accumulations built up by the country by the sweat and toil of the sons of the soil at considerable sacrifice and privations. Goods were supplied at controlled prices, which in many cases were lower than the prices for similar articles in other parts of the world. These Sterling Balances formed a backing to the currency of the country and the writing off of any portion of the same would weaken the confidence in Indian currency and retard the prospects of carrying out the industrial plans of the country.

(iii) India had already been made to contribute for the war to a much larger extent than justified by her capacity and financial settlements for the allocations of defence expenditure between India and U. K. on various stages brought more burdens on the

already impoverished Indian public. India was not in a position to bear any further burden as a contribution to the settlement of post-war indebtedness.

(iv) India was in immediate need of a substantial portion of these Sterling Balances for financing her industrial and economic development and therefore Great Britain should explore every available method to repay her obligations to India. Although Britain had been reported to have been left impoverished and not in a position to meet her debts, there were British assets in India running into several hundred crores of rupees which might be mobilised by U.K. for payment of Indian debt. Any move to scale down the payment of Sterling Balances would forfeit the goodwill of the Indian public so very necessary for the formulation of the trade treaty shortly to be negotiated. India's share in the Empire Dollar Pool should be immediately available for meeting her urgent needs and requirements.

(v) India was not in a position to tolerate any interference with her tariffs and trade conditions except on lines decided upon by a Government responsible to the people of the country. The continuance of the process of financing purchases in India on behalf of His Majesty's Government by increasing the note-issue in India against Sterling accumulations in Britain should definitely stop. Even after the cessation of hostilities, there had been an additional accumulation of Sterling by the Reserve Bank of India. The Reserve Bank had not acted wisely in allowing the process of accumulation of Sterling Balances even after the war. The country would accept the imposition of any financial settlement provided her representatives in the Central Legislature gave their approval to it.

## Bill to Consolidate and Amend the Law Relating to Banking

The Committee, in their communication dated 2nd February, forwarded their views to the Government of Bombay, Finance Department, on the above Bill, the main features of which were as under :—

(1) The Committee at the outset observed that the Bill did not take into consideration the main recommendations which the Central Banking Enquiry Committee appointed in 1929 had made in connection with the steps to be taken to encourage expan-

sion of banking with a view to provide greater facilities to agriculture, trade and industries. The Bill under reference, in their view, mostly dealt with matters relating to the structure and framework of banking as represented by joint-stock banks in the country. They, in this connection, also referred to the position of indigenous bankers and urged that the institution of indigenous bankers should be made use of in the credit structure of the country.

(2) The Committee suggested that a consolidated Banking Act be enacted to include banks registered in Indian States as well, and urged that efforts should be made to secure an enactment of corresponding legislation in all Indian States on the basis of reciprocal arrangements.

As regards the position of the Imperial Bank of India, the Committee expressed the view that the special privileges enjoyed by the Imperial Bank now should be taken away and the Bank should be required to re-condition its structure in terms of the Banking Law of the country.

As regards Clause 10 of the Bill prohibiting employment of Managing Agents and restrictions on certain forms of employment, the Committee expressed the view that Government should leave this aspect to the good sense and collective wisdom of the Board of Directors managing the banks.

Re : Clause 16 which sought to prohibit banking companies from advancing loans to their Directors interested in different industrial concerns the Committee observed that in their view such a restriction would greatly affect the clientele position of the big banks which regularly advanced loans to industrial concerns and thus helped the industrial advancement of the country. It would also, the Committee felt, give a setback to Indian banking companies and drive the industrialists to take recourse to Non-Indian Banks which were not prohibited from advancing such loans.

With regard to Section 19 in connection with the assets in British India, the Committee observed that the term "British India" should be changed to "India" so that for the purpose of computing the percentage, the assets held in the country as a whole including Indian States would be taken into account, and added that such assets should be maintained at the end of each

half year instead of only at the close of the last working day of each calendar year as provided in the clause. The Committee also expressed their views on the various clauses of the Bill.

### Indian Banks and Exchange Business

In their letter dated 1st November addressed to the Governor, Reserve Bank of India, the Committee referred to the existing arrangement under which certain Indian Joint Stock Banks transacted exchange business on behalf of their constituents through the Exchange Banks on the basis of a share in the commission mutually agreed upon. The over-all rate of commission was fixed by the Exchange Banks' Association and the adjustment of the share as between the Exchange Banks concerned and the Indian Joint Stock Banks negotiating the business was done within that limit. The Committee were informed that attempts were being made to upset the above arrangement, whereby the Indian Banks would not be able to negotiate Sterling, Dollar or other foreign currency bills on behalf of their clients through the medium of Exchange Banks on the basis of a share in the commission. The Exchange Banks' Association were understood to have recently moved in the matter and decided that member-banks should be prevented from sharing any part of the commission authorised under the rules of the Association with third parties and that full rate of commission should be charged on all exchange business introduced or negotiated by the Indian Joint Stock Banks. According to information received, the Reserve Bank of India had also agreed to support the proposal. The matter was, however, kept pending as some of the foreign banks wanted to consult their principals. The Committee felt that, if the above information was correct, the Reserve Bank should not have been a party to such a reactionary proposal. They requested the Reserve Bank authorities to exercise their authority for protecting the legitimate rights of Indian Joint Stock Banks.

### Indianisation of the Services of the Imperial Bank of India

In their communication dated 20th November addressed to the Managing Director of the Imperial Bank of India, the Committee referred to their correspondence with the Bank in the years 1938 and 1939 on the subject of Indianisation of the services of the Bank.

As then made clear by the Board of Directors of the Bank their policy was to take an equal number of Indians and Europeans in all grades, which position of 50 : 50 would be reached within about 8 to 10 years; after attaining the objective further Indianisation would depend upon the future decision of the Board of the Bank. It was explained that the large number of trained officers recruited outside between the years of 1921 and 1925 would be due for retirement between 1947 and 1949 and the position then existing would be utilised for accelerating Indianisation of the superior services of the Bank. It was pointed out that the period of 8 to 10 years was nearing completion and the Committee desired to be informed of the progress of Indianisation made subsequent to 1939. They also desired to have information regarding the number of European officers retired from the service during that period and in what manner the vacancies had been filled up. In short, they requested the Bank authorities to furnish the Chamber with regard to the position relating to the present strength of the personnel of the Bank's services. They desired to know whether the Directors had since reviewed and reconsidered their policy of Indianisation and whether fresh objectives were determined. Committee gave expression to the public feeling in the matter regarding the urgent necessity of Indianisation of the Bank's services and pointed out that the question could not be deferred on the plea of scarcity of suitable personnel available in India. They referred to the expansion of banking activities in the country and pointed out that there was no dearth of suitable personnel now, as experienced persons were filling so many high posts in various institutions, including the Reserve Bank of India. They referred also to the disparity between the pay and allowance paid to Indian assistants and corresponding European officers doing almost similar type of work and emphasised that such discrimination should be done away with. It was stated that in actual practice very few Indian assistants after about 20 years of service had been promoted as Grade IV staff officers. While the Indian personnel required 27 years of service to reach this grade, the European employees of the Bank reached it in 7 to 10 years. The position with regard to Indians occupying the position of Agents required to be looked into very carefully as they suffered from many disabilities. The Committee requested to be furnished with a comparative state-

ment of the number of officers Indians and Europeans, classified according to the different grades as in 1939 and now.

## Control of Capital Issues

In their communication dated 26th September addressed to the Government of India, the Committee referred to the press announcement that control of capital was likely to continue for some months more. They informed Government that as the war had now ended, there was no valid ground for the continuance of such control. The commercial community was entitled to know the reasons that impelled Government to continue such control. They desired to have information regarding the complete list of the cases which were not sanctioned together with the brief statement of the reasons indicating the circumstances under which they were not sanctioned. Government in their reply dated 1st December informed the Committee that the press announcement referred to by them in their communication was not authoritative and that the whole question of the administration of the control over capital issues was being actively examined by Government in the light of the recent developments. Government refused to supply the information desired by the Committee re : rejected applications. The Committee in their further communication dated 14th December pointed out that Government had assured the public that such control would remain only during the war. They, therefore, urged that there was no justification for the continuance of the control after the end of the war, as it was proving as an obstruction to the further development of India's commerce and industry. Committee referred to the relaxation from 1 lakh to 5 lakhs upto which amount issues of capital might be made without their consent and stated that the condition attached to this relaxation, viz. the increased limit would be applicable only upto 12 months, was not desirable. It was urged that early steps should be taken to end the control altogether.

### Consent for the Issue of Capital for Photo-Cine Sound Ltd.

The Committee in their communication dated 15th March referred to the correspondence that Messrs. Photo-Cine Sound Ltd. had with the Examiner of Capital Issues, Government of India, and expressed their surprise at the observations made by the

Examiner of Capital Issues while refusing permission to grant licence to start the concern for manufacturing photo goods in India during the post-war period. In refusing their application, Government had observed that "they were unable to give consent to the proposed issue in the existing circumstances as they were of the opinion that it was premature to invite the public to subscribe capital before experimental work had been carried out to such a stage that it was possible for the Government and the public to form some sort of judgment as to the prospects of the venture". The Committee expressed their surprise that Government should have observed in the way they did and felt that the control of capital issues was never intended to be used in the above manner. The Committee in conclusion requested Government to reconsider the matter and give to the promoters of the company the necessary consent for the issue of capital required by them.

## Tariff Board Enquiry

The Committee in their communication dated 28th November addressed to the Tariff Board recently appointed by the Government of India for investigation of the claims of industries which had been started or developed in war-time for assistance or protection during the transition period, stressed the following points :

(1) With a view to grant timely assistance to such industries, the procedure governing the investigation of the conditions of the industries should be simplified avoiding the complicated method of elaborate enquiries into each individual case as in the past. Such a step would save many industries from being entirely liquidated before protection could be granted.

(2) The period of protection fixed under the present Tariff Board enquiry was three years. It was emphasised that this period was too short and same should be extended to at least 7 years, the normal time for which protection was generally recommended in the past.

(3) Reference was made to the various items of stores, spare parts, equipment and other manufactured articles required for Government departments, Provincial and Central, as also Public

Works, Indian States, Municipalities, etc. Such requirements were met by Indian industries during the war. The close of the war had, however, brought on a policy of importing such requirements from abroad. The Committee emphasised that even at some sacrifice Indian industries must be encouraged and such stores should be continued to be purchased from such Indian industries, as otherwise many industries brought into existence for supply of such stores would go into liquidation.

(4) There was no justification for taxing imported raw materials at a rate higher than the imported finished articles made from such raw materials. The representation included a list of such tariff inequalities.

(5) Any imported manufactured article should be taxed at not less than 30 per cent even if it were part of the equipment and machinery which were liable to lesser duty.

(6) Licences or permissions for export of raw materials should be allowed only in such cases where there was a surplus.

## Enquiry into Stock and Share Dealings

In reply to the communication from the Director of Research, Finance Department, Government of India, forwarding a questionnaire regarding enquiry into stocks and shares dealings the Committee submitted their views on 18th September, a brief summary of which is as under :

At the outset the Committee informed Government that in the absence of any indication of the objects and reasons for conducting the enquiry, they were handicapped in the formulation of their views. In reply to the view of Government that the speculative activity had contributed to an inflationary tendency in the country, it was stated that the converse was the case. In their view inflation was caused by circumstances which had no connection whatsoever with speculative activity. The chief contributory factor was the defective method of financing the war expenditure as a result of which India had been saddled by the accumulation of bloc sterling on the one hand and the creation of large currency and credit against the backing of such sterling on the other. They emphasised the desirability of stock exchanges being conducted on right and proper lines. Forward trading in

stocks and shares was a necessary function of such exchanges for the convenience of the investing public. They were of the view that with a view to achieve uniformity in the legislation regulating transactions in stocks and shares the stock exchanges should be governed by an all-India Act with a standardised and uniform machinery applicable to the whole of India. To protect the public from being involved in the madness of speculative activity in forward trading they suggested a system of margins which was working profitably in the New York exchange, as also in Bombay for forward trading in cotton. To check overtrading they suggested in addition to the introduction of margin system the classification of members of stock exchanges into brokers and jobbers. To facilitate such classification, it was the considered view of the Committee, that Government should reduce the stamp duty in the case of shares transferred in the name of jobbers, as in London where the stamp duty was nominal. Such reduction in transfer duty, would eliminate the practice of leaving transfers blank. They were however not of the opinion to enforce by legislation transferor's name on the transfer forms as the same would stand in the way of easy and ready credit facility. On the question of staging, Committee stated that certain instances of such practice were brought to their notice. Sometimes it happened that a large part of floatation of the capital was retained by directors and promoters, the public being offered only a small proportion of the shares. The result would be a scramble for the shares of that company at a premium. Such practices should be checked by suitable legislation. Listing requirements of all stock exchanges should lay down that a fairly reasonable proportion of all new issues should be offered to the public. Shares should be issued on uniform terms and conditions as regards their prices and voting rights both to the directors and the promoters and the public. It should be made obligatory that as soon as the directors of the company decided the question of dividend a public announcement of the rate of dividend recommended should be made. It was their considered view that investment trusts played an important part in the mobilisation of capital required for industries. So far as they were aware, the four investment trusts in the city were working satisfactorily. They felt that the management of such trusts should have no direct or indirect interests in the firm of brokers through whom the transactions of shares which they might

underwrite were to be put through. If the stock exchanges were controlled and regulated by a central law they felt that there should be no legal bar to more than one stock exchange functioning and operating in one city or town.

## Restriction on the Shareholding Register to Persons of Indian Nationality

The Committee in their communication dated 17th September addressed to the Department of Planning and Development, Government of India drew attention to the announcement of Government made in April last that it was their policy to "take positive steps to encourage and promote the rapid industrialisation of the country to the fullest extent possible". In the light of such an announcement, the Committee invited Government to recognize the fact that the national wealth of the country would only be increased if it was retained in the hands of the sons of the soil. They also emphasised the fact that the "benefits" of a national economic policy should be confined to merely national concerns, and that the real industrial development of India would take place only if the industries established or to be established in the country were owned, controlled and managed by Indians themselves. The Committee referred to the incursion in the country of "India Limiteds", which were practically so many attempts on the part of foreigners to exploit the resources of the country from within the country, as a result of the establishment of foreign concerns in the country allowed under the Government of India Act. The Commercial Safeguards for the protection of such foreign industries had to be incorporated in the Constitution. The Committee urged Government that in the interests of real development of industries, owned, controlled and managed by the nationals of the country, it was the bounden duty of Government to remove the "Commercial Safeguards" which were calculated to allow a free hand for exploitation of the Indian resources by the foreigners. It was also urged that the gravity of the points discussed above should be given due consideration and Government should let the Committee know what steps they proposed to take for safeguarding India's national interests in regard to the industrialisation of the country in the post-war period.

## Decimalisation of Indian Coinage

The Government of Bombay, in their communication dated 16th May invited the views of the Committee on the question of decimalisation of the Indian Coinage. The Committee in their communication dated 5th June observed that the existing system of coinage had worked satisfactorily for a considerable length of time and no case had been made out for a change on the lines indicated by Government in their proposal, and added that it had not yet been introduced in countries like Great Britain and some of the Empire countries.

They also referred to the backwardness of the masses of the people in India and apprehended great difficulties that would be experienced particularly in the transition period when both the existing system and the proposed decimal system would be in operation. The Committee, therefore, were of opinion that there was no necessity for the present to introduce the decimal system, as it was, according to them, inopportune.

## Difference between T.T. and D.D. Rates

As published in the Summary Report of the Chamber for 1944, the Committee had discussed the question of a wide margin in the T.T. and D.D. rates. The Chairman of the Exchange Banks Association, Bombay, in his letter dated 12th February informed the Committee that as a result of discussions between his association and other exchange banks' associations, it had been decided to reduce the buying rates. He had also in this connection sent a Schedule of Rates prevailing during February 1945.

## Acceptance of Cheques in Payment of Customs Dues

At the instance of a member of the Chamber, the Committee addressed a communication on 8th May to the Collector of Customs referring to his Department Notification No. 9 dated 31st March 1945 announcing that no cheques or payment orders would be accepted from the public in payment of customs dues unless issued by the parties' bankers on themselves, and that cheques drawn on a bank marked or certified by the bank as "good for payment" would also consequently be not accepted. The Committee in this connection observed that in ordinary commercial transactions cheques certified good for payment were deemed to be more or

less in the nature of cash not involving any risk to the payee, and, as such, such cheques should be accepted by the Customs Department.

The Collector of Customs in his reply dated 22nd May observed that, in a recent case the Privy Council had held that the marking of a cheque as "good for payment" was not an acceptance of the cheque and there was no custom amongst bankers to that effect, and that the endorsee of such a cheque had no remedy in law against the drawee banker. It had, therefore, been decided to accept in payment of customs dues only cheques drawn by the presentor's bankers on themselves.

It was further observed in the above letter that this procedure would be relaxed in case of merchants who maintained personal deposit accounts with the Custom House and who had deposited security in cash or Government paper or had furnished bank's guarantee-letter.

## Interview with Sir John Sheehy, C.S.I., I.C.S., Member, Central Board of Revenue and Mr. C. W. Ayers, C.I.E., M.B.E., E.P.T., Advisor to the Board

The Committee had an interview with Sir John Sheehy, C.S.I., I.C.S., Member, Central Board of Revenue, and Mr. C. W. Ayers, C.I.E., M.B.E., E.P.T. Advisor to the Board, on 8th August 1945 when discussions ensued on the following points :

(1) Effect of the present policy of taxation on industries.

(2) When Members constituting the Appellate authority differ, the opinion that is beneficial to the assessee should prevail.

(3) Should not the decisions of the Tribunal be binding on the Department in subsequent assessments ?

(4) Section 10 (2)—Expenditure on welfare measures and contributions to Charitable Institutions.

(5) Section 10 (7)—Taxation of additional reserves maintained by General Insurance Companies.

(6) Section 18 (3A)—How is interest paid by a Branch to its Head Office dealt with for the purpose of taxation ?

(7) Section 24—Carry Forward of Losses.

(8) Section 58A—Equity requires that same concessions should be given to Provident Funds recognised under the Indian Income-tax Act as those which are given to Provident Funds governed by the Provident Fund Act, 1925.

(9) Section 60—Exemption of pensions drawn in the Colonies or U. K.

(10) Profit on sales of gold.

(11) Section 6—Necessity to increase the minimum of the standard profit.

(12) Section 7—Carry Forward of Deficiency of Profits.

(13) Schedule I, Rule 12—Disallowance of Expenditure.

(14) Schedule II—Computation of average capital.

**Future of Taxes on Income Imposed during the War**

In their telegram dated 24th August addressed to the Government of India, the Committee referred to the Government's statement in April last announcing that they would take positive steps for the rapid industrialisation of India assuring that they would revise the policy of taxing industries if such a policy affected adversely the growth of industries in the country. They stated that the existing high level of taxation was a great handicap to the industries in building up financial strength. The position created by such burdens was aggravating the position of the industry with regard to replacement of worn out assets. As the present prices of machinery were far higher than those before the war the industry was not in a position to replace obsolete machinery owing to lack of adequate reserves. The result would be over-capitalisation brought on by fresh borrowings for continuing the development of industries. As the war had ended, the burden of taxes imposed during the war should be forthwith removed if rapid industrialisation was the goal of Government. They referred to 90 per cent increase on income-tax and 300 per cent increase in Corporation Tax which was acting as a great load on the forward advance of industries. It was stated that the surcharges on income-tax and super-tax were weighing heavily on individuals, firms and Hindu Joint Families. Reference was made to the surcharge on Super-tax of 100 per cent in the comparatively lower slabs of income which was reduced to 50 per cent only when the income exceeded

3½ lakhs. It was emphasised that heavy surcharges on income-tax and super-tax were not justified in the interest of social, economic and other nation building activities of the country.

### Stating of Income-tax Cases to the High Court under Section 66 of the Act

The Committee in their communication addressed to the Prothonotary and Senior Master of the Bombay High Court, referred to the rules prescribed by the Allahabad High Court for regulating the procedure for stating a case for submission by the Income-tax Appellate Tribunal to the High Court under Section 66 of the Act, whereunder a draft of the case to be submitted to the High Court under that section was required to be previously furnished to the parties concerned with a view to giving them an opportunity for suggesting additions and amendments thereto. It was pointed out that under the rules prescribed by the Bombay High Court such a provision was not included, with the result that a draft of the case previous to submission before the High Court was not furnished to the parties concerned. It was urged that such a provision should be included in the rules prescribed as above.

### Section 60 of the Indian Income-tax Act—Exemption of Co-operative Societies

The Committee addressed a communication on 28th April 1945 to the Central Board of Revenue on the following points arising from the exemptions granted under Section 60 of the Indian Income-tax Act, under Finance Department Notification No. 878 F. dated 21st March 1922.

#### (1) Burma Co-operative Societies

Under Part II of the Notification, whilst profits of Co-operative Societies, registered under the Burma Co-operative Societies Act, 1929 are to be included in the total income of a year, such Societies would be exempt from both income-tax and super-tax. But a Co-operative Society registered in Indian States, however, did not get the benefit of such exemption. Even after separation of India from Burma these Societies in Burma continued to have

such exemption and it was logical that the same concession should have been extended to Societies registered in Indian States. As further exemption under Section 60 is not possible, the only way to rectify the anomaly would be to discontinue exemption in case of Burma Co-operative Societies.

**(2) Profits of Co-operative Life Insurance Societies**

Under the same Section the profits of Co-operative Societies excluding income from investments were exempt from tax. It was urged that the Co-operative Societies carrying on business of life insurance should also get the same exemptiion.

**(3) Property Occupied by Co-operative Societies**

Exemption under Section 9 was not being granted on the property occupied by Co-operative Societies on the ground that the same would apply when the property was occupied by a "business assessable to tax". The plea, that Co-operative Societies enjoyed exemption from taxation under Section 60 and that such societies were not assessable to tax on business, should not hold good in case of such societies for the purpose of debarring them from exemption under Section 9. The relief should be extended to cover income from property occupied by a Co-operative Society for its business requirements.

The Central Board by their letter dated 2nd July replied as follows :—

(1) **Burma Co-operative Societies :** The exemption in respect of Burma Co-operative Societies had remained ineffective after the separation of Burma from India.

(2) **Profits of Co-operative Societies :** They admitted that the exemption was applicable to Co-operative Societies carrying on life insurance business. They, however, stated that as most of the income of life insurance business was derived from investments in securities or property to which the exemption did not extend, the exemption did not become wholly operative.

(3) **Property Occupied by Co-operative Societies :** The Board stated that the property owned and occupied by a Co-operative Society for the purpose of its business was not chargeable under Section 9 of the Act.

## Exemption of Co-operative Societies doing Life Insurance Business from Payment of Income-tax on Income derived from their Investments

In their communication addressed to the Central Board of Revenue the Committee pointed out that under Section 60 of the Income-tax Act, profits of co-operative societies were exempted from payment of income-tax provided such profits did not arise from investments in securities or property. It was, however, stated that such a provision proved disadvantageous to the co-operative societies doing life insurance business, as a substantial portion of their income was mainly derived from investments in securities and property with the result that the benefit accruing to such societies from the exemption was negligible. It was, therefore, urged that the exemption under the Section should be extended to incomes from all sources in respect of co-operative societies doing life insurance business.

## Allowance for Expenses for Welfare Work, Charitable Purposes, etc.

The Committee in their communication dated 28th April 1945 addressed to the Central Board of Revenue pointed out that in the Income-tax Manual *bona fide* expenditure of a revenue character for the welfare of employees was allowable. It was also pointed out, however, that the expenditure incurred by the employers for promoting welfare among employees on a general basis was not allowed. The Committee urged that it was not right for the Board to rigidly exclude such general grants for relief, if such expenditure was really meant and incurred for the welfare work generally.

The Central Board in their reply dated 5th July informed the Committee that no unduly rigid interpretation was given to "welfare of employees" by the Department. It was stated that any expenditure incurred by employers to provide amenities for their employees was allowable. The Board further could not allow contributions of a purely compassionate and charitable character, in which respect the practice in U.K. was also the same. If, however, the Chamber found instances where unduly narrow interpretation had been given by the Department such instances might be brought to the notice of the Commissioner of Income-tax, Bombay.

## Delay in Payment of Double Taxation Relief

In their communication dated 28th April 1945 addressed to the Central Board of Revenue the Committee referred to the difficulties caused to the assessees by the inordinate delay in passing double taxation relief claims and urged that where an assessee was able to produce evidence of tax having been paid to one taxing authority, due consideration should be given in allowing him sufficient time or in permitting necessary adjustment in respect of tax from the same assessee leviable in this connection.

The Board in their reply dated 21st May informed the Committee that if any instances of undue delay or disregard of the instructions regarding payment of such relief were brought to the notice of the Board, the same would be considered.

## Section 4A (c) of the Indian Income-tax Act—Definition of Resident in British India

Under Section 4A (c) of the Indian Income-tax Act it is provided that a company is deemed resident in British India in any year if the control and management of its affairs are situated wholly in British India in that year or if its income arising in British India in that year exceeds its income arising without British India in the year. The above section has been found responsible for giving undue benefits to foreign established companies operating in British India under certain circumstances. If such a company had made loss abroad and profits in British India the same would be treated as a resident company by virtue of 5 per cent income test. At the same time, in any subsequent year, in which such a company had made profits abroad, it would be treated as a non-resident company under the test of central control and management. Accordingly the loss made by such a company in respect of its foreign business would be allowed to be carried forward for six years and set off against the British Indian profits. Subsequently when it made profits in its foreign business the company would be treated as a non-resident one and as such would be assessed on that basis and would be entitled to the benefit of carrying forward of losses even though in the year in which there are foreign profits the company would not be subjected to Indian taxation. The Committee therefore addressed the Central Board of Revenue on 28th April urging the necessity to provide that the

benefit of the provisions relating to carry forward of losses should accrue to such assessees only if they retained the same status throughout in all the years of their assessment.

**Extra Statutory Concessions under the Indian Income-tax**

The Committee in their communication dated the 28th April addressed to the Central Board of Revenue drew their attention to a White Paper issued by the Inland Board of Revenue, U. K., setting out the various heads of concessions granted by the authorities in U. K. in relation to Income-tax, E. P. T. and the National Defence Contributions together with indications of the relief contemplated by such concessions. In this connection, they urged that the Central Board of Revenue here should also issue a similar publication setting forth concessions given by Administrative Instructions and Orders which would enable the assessee public to be kept informed about the same. The Committee also referred to the instructions issued by the Board from time to time for the guidance of Income-tax Officers in the form of circulars explaining points relating to the application of some of the provisions of the Act and suggested the publication of the same for the benefit of the assessee public.

The Board in their reply dated 19th May stated that anything beyond what was already given in Part III of the Income-tax Manual was not going to be of any great use to the public. Circulars of general interest to the mercantile community were being sent to Chambers of Commerce.

**Section 10 (7) of the I. T. A. and Rules thereunder—Life Assurance Business**

The Committee in their communication dated 28th April addressed to the Central Board of Revenue referred to the two alternative basis under the above section prescribed for determining the profits and gains of Life Insurance Business, viz.: (i) gross external earnings of the preceding year less management expenses of that year and (ii) half of the actuarial surplus as determined in the manner laid down in the rule in question, and pointed out that the Treasury had the choice of selecting the basis more advantageous to the revenue. They pointed out, however, that in regard to assessment to tax on profits and gains of the British Indian busi-

ness of foreign insurance companies under Rule 8 of the Rules in question, the basis would be the proportion of the total world income of the company corresponding to the proportion which its British Indian premium income bore to its total premium income. This basis would be accepted in the absence of a more reliable data for such assessment. A recent High Court decision, however, held that assessment of a foreign insurance company having branches in British India under Rule 8 of the schedule could only be made on the above proportionate basis and that even if the alternative basis, viz. interest less expenses basis was more advantageous to the Treasury, the same could not be applied in the case of such companies. The Committee felt that if the position created by the decision of the High Court was accepted, foreign insurance companies would be placed in a position of advantage over the Indian companies. It was urged that the anomaly should be rectified and that the Indian and foreign companies should be made to stand on par so far as the provisions of the section were concerned.

### Depreciation Allowance for Brick Industry

In their communication addressed to the Central Board of Revenue the Committee drew attention that Brick Merchants were not being allowed any depreciation in the cost of the land purchased by them for brick manufacture. It was pointed out that clay was the main material used for making bricks and the lands used for extracting such clay depreciated in value. It was therefore urged that reasonable depreciation on the original cost of such lands should be allowed in case of brick industry.

### Computation of Refunds under Section 49 (c) of the Indian Income-tax Act

In their communication dated 24th July addressed to the Central Board of Revenue, the Committee referred to the Board's circular, *vide* circular dated 10th March 1943, containing clear instructions rectifying the position created by the practice of the Income-tax department of grossing up dividend income at the full company rate while credit on tax was allowed to be assessed only at the effective rate at which the company paid tax after deduction of double income-tax relief allowed to it. They added that while they were thankful for rectifying the position as above

stated, the Central Board should give a retrospective effect to their instructions in the matter making it possible to the Income-tax officers to entertain applications for the rectification of past inaccuracies in the computation for a period of at least last 4 years under Section 35 of the Act.

### Set-Off of Loss under Section 24 (2) of the Indian Income-tax Act—Interpretation of the term "same business"

In their communication dated 24th July addressed to the Central Board of Revenue, the Committee referred to the interview they had with Sir John Sheehy, Member, Central Board of Revenue on 30th August 1944 and drew attention to his assurance that in the case of an assessee having dealings in several markets, the trading results in all the markets would be aggregated for applying the relief in respect of carry-forward. The Member further stated that if any instance in which the Section had been applied otherwise, the Chamber should inform him to that effect for redress. In terms of the above assurance the Committee forwarded details of a case in which the Income-tax Officers were seeking the trade transactions of a particular assessee in different markets separately and thereby denying him the relief to the extent contemplated by the Section in respect of carry-forward of losses. The Board was requested to look into the matter and issue necessary instructions.

### Discrimination regarding Income-tax Relief between Government Provident Fund and Private Provident Funds

The Committee in their communication addressed to the Central Board of Revenue drew the attention to the differentiation between Government and Private Provident Funds for the purpose of relief under the Indian Income-tax Act. Reference was made to the previous representations of the Chamber on the subject and concrete examples were cited in support of their contention. It was complained that under Government Provident funds the employer's contribution and the interest accumulations to the credit of the provident fund were not taken into account in computing the total income of the employee for purposes of income-tax liability, while under the private provident fund it was not so. Exemptions regarding insurance premia and employees' contribution were allowed to the extent of 1/6ths of the total income

including private income and allowances under the Government provident scheme ; exemption was allowed under the private provident funds to the extent of 1|6ths of the total salary or Rs. 6,000 whichever was less, etc.

### Accommodation of more than One Income-tax Officer in One Room in the Bombay Income-tax Office

The Committee in their communication dated 5th October addressed to the Commissioner of Income-tax protested against the practice of the Income-tax Office accommodating more than one Income-tax Officer in one room. It was contended that the practice offended against Section 54 of the Income-tax Act which required secrecy in connection with determining assessment of individual parties. If more than one party was allowed in a room, as it would be naturally the case where two officers were accommodated in one room, the parties would not be in a position to disclose all the details of their case. The Commissioner in his reply dated 15th October assured the Committee that arrangements had been made to partition the rooms as a temporary measure.

### Increase in Depreciation Allowance for Plant and Machinery and Buildings

In their communication dated 15th March, the Committee referred to the allowance announced by the Finance Member during the course of his Budget Speech in regard to the depreciation for Plant and Machinery and Buildings at the rate of 20 per cent and 10 per cent respectively, and submitted that such allowances on Plant and Machinery and Buildings should be granted as from 31st March 1941. The Committee held the view in this connection that all new installations during the period of the war naturally had been made at costs considerably higher than those prevailing during normal times, and with a view to assist the process of re-equipment, they felt that the expenditure on new buildings and installations incurred after 31st March 1945 would not give the desired relief.

In this connection the Committee referred to the likely practical administrative difficulties which Government might experience, and suggested that instead of allowing extra relief as demanded in the year of erection and installations, the same might

be available for the first assessment year after the coming into force of new basis of allowance in respect of all additions and new installations after 31st March 1941.

## Income-tax and Excess Profits Tax (Validating of Notices) Ordinance, 1944

As published in the Annual Report of the Chamber for 1944 the Committee had addressed a communication to the Government of India in connection with the provisions of the above Ordinance. In this connection, the Committee again addressed a letter in which they referred to certain cases when assessees would be put to great difficulties under the provisions of the Ordinance and reiterated their assertion that there was no precedence for an ordinance of the nature granting retrospective effect in criminal proceedings either under the British system of laws or under the system of laws of any other civilised countries. The Committee further added that the effect of the Ordinance would be that not merely the legitimate and sound defence available to the tax-payer be taken away from him but a perfectly innocent act under the Income-tax Act as it existed at the time when the act was performed was converted into a guilty act by virtue of the provisions of this Ordinance. The Committee in conclusion requested the Central Board of Revenue to issue immediate instructions that notwithstanding the existence of the provisions regarding criminal proceedings, such proceedings should not be instituted or continued in cases where these depended on the issue of such invalid notices as were mentioned in the Ordinance.

## Insurance Enquiry Committee and Management of Insurance Companies

The Superintendent of Insurance, Government of India, in his communication addressed to the Chamber dated 17th May 1945 drew attention to some trends and undesirable features in the management of Insurance Companies to investigate which the Enquiry Committee had been set up. The Committee desired the views of the Chamber on (i) cornering of shares of insurers at prohibitive prices and frequent changes in the controlling personnel of insurance companies and (ii) interlocking of interests between banks and insurance companies and speculative investment of insurance funds. The Committee in their reply dated 14th June

submitted their views pointing out that they were not in a position to give their considered opinion on the subject without the necessary factual data which had not been furnished to them. Subject to the above, they expressed as under :

While the Committee felt that frequent changes in the controlling personnel of insurance companies and investment of insurance funds purely for speculative purposes were obviously undesirable, the real test of the success of the working of insurance companies was to be found in the ability, efficiency and integrity of their management. They were of opinion that Indian insurance companies were still in a stage of development and if any restrictions, legislative or otherwise, were placed on the organisation and activities of Indian insurance companies, they would prove to be handicaps in the way of their progress. Regarding the investment of insurance funds, a provision already existed that 55 per cent of the life funds should be invested in Government and approved securities. In the absence of any factual data that the funds were being speculatively invested, they were not in a position to give any direction in the matter. On the contrary, they felt that even the 55 per cent provision acted harshly on the companies and sufficient relaxation should be made in allowing scope for insurance funds to be invested for the benefit of the development of trade, commerce and industry.

It was a desirable move to prevent interlocking of interests between banks and insurance companies. They were also of opinion that a provision restricting freedom of persons engaged in the managerial staff of a bank to interest themselves in the management of insurance companies and *vice versa*, should be introduced ; it was, however, emphasised that an exception should be made in the case of schemes of insurance for the benefit of depositors in a bank in the event of Government ultimately deciding to introduce any measures for preventing interlocking of interests between banks and insurance companies.

**War Risks (Factories) Insurance Scheme—Extension of**

The Committee in their letter dated 17th January addressed to the Commerce Department, Government of India, suggested that in view of the large balances to the credit of the War Risks (Factories) Insurance Fund, Government should not charge any premium

for those factories which had paid the full contribution for the purpose of insurance and that the risk should automatically covered for a further period of one year from 1st April 1945 without any additional levy.

**War Risk (Goods) Insurance Scheme—Goods meant for Export**

The Committee were in correspondence with the Special Officer, War Risk Insurance, Bombay, in connection with the question of compulsory insurance of goods meant for export. The Officer, in his letter of the 21st January 1945, informed the Committee that insurance of goods which were not for sale in British India and which were held for purposes of export was voluntary. He, however, added that a person holding goods for export would have to insure the same under the Scheme if he owned and sold them in India, the latter including sale on F. O. B. or C. I. F. terms. The Committee, however, contended in reply that compulsory insurance should not be made applicable to goods really meant for export and suggested that the provisions of the Order be amended, if necessary, so as to exempt all goods meant for export from compulsory insurance.

The Special Officer in his reply dated 26th April observed that the War Risks (Goods) Insurance Scheme was essentially a scheme which was meant to ensure a person carrying on business in British India as a seller of goods against any loss or damage caused to the goods as a result of any action comprised in the expression "War Risks" as defined by the War Risks (Goods) Insurance Rules, and so long as the property was vested in the seller, he was both the owner and the seller of goods within the meaning of Sections 4 and 2(f) respectively of the Ordinance, and therefore would be liable to have compulsory insurance. He, however, suggested that if any amendment were to be made in the application of section (5) (i) (a) (c), the Committee might refer the matter to the Government of India.

**War Risks (Goods) and (Factories) Insurance**

In their telegram dated 13th June addressed to the Government of India, the Committee drew attention to cessation of hostilities in the West and the consequent dimunition of chances of risk of loss due to enemy action and emphasised that free cover should

be given for War Risks (Factories) insurance till the end of the current financial year. They also suggested that all War Risks (Goods) policies remaining in force at the end of each quarter should be extended to subsequent quarters without payment of any premium. They also urged a reduction in the rate of premium for fresh goods insurance to one pie per cent per month.

### Marine Insurance Rates for West African Ports

In their letter dated 14th July the Committee drew attention of the Bombay Underwriters Association to the excessively high marine insurance rates for shipments from Indian ports to West African ports. It was stated that while marine insurance rates prevailed at an average of between 8½ as. to 10 as. per cent in the pre-war period, the current rates averaged between 30 and 41 as. per cent. The Association, however, in their reply dated 20th July informed the Committee that the rates were only a little higher than the pre-war rates which were justified by the claims experience of members of the Association. The Committee in their further reply dated 1st August desired to know the extent of the disparity between the pre-war and the current rates, to which the Association replied stating that the disparity did not go higher than about 2 as. per cent.

### Import Duty on Cocoa Beans

In their communication dated 5th October addressed to the Government of India the Committee protested against the high rate of 30 per cent duty collected on imports of cocoa beans which were used by the Indian Confectionery and Food Manufacturing industry. They failed to find justification for such a high rate of import duty on cocoa beans, which were used by a growing industry and which required encouragement and help from Government. The attention of Government was drawn that U.K. and Australia admitted cocoa beans free of duty into those countries from any part of the British Empire. It was urged that Government should also adopt such a favourable attitude to such an industry which required their assistance. It was urged that the duty should be abolished or at any rate it should be reduced to a nominal rate.

## Customs Classification of "Patent Blue" for purposes of Assessment to Duty

Patent Blue is at present being assessed to duty under item No. 30 of the Tariff Schedule as "paints, colours, etc., not otherwise specified" at 30 per cent *ad valorem* standard and 24 per cent *ad valorem* preferential (U.K.). The Committee's attention was drawn that the classification of this item as above for purposes of duty was not correct as patent blue was an aniline dye and was mainly used for dyeing wool, silk, etc., and seldom used for any other purpose. The Committee, therefore, in their communication dated 17th April addressed to the Central Board of Revenue suggested that the same should come under Serial No. 30(1) "all others" of the schedule and assessed to duty at 12 per cent *ad valorem* as other dyes were assessed.

The Board in their reply dated 1st August informed the Committee that Patent Blue was similar in composition and use to soluble blue, ink blue and other similar substances, which were classified by the Board under Tariff item No. 30, after due consideration. They, therefore, were not able to accept the suggestion of the Committee.

## Proposed Changes in the Tariff Classification

In their communication dated 30th August addressed to the Director of Commercial Intelligence and Statistics, the Committee submitted the following views in regard to changes proposed in the tariff classification.

### Deletion of Items 5 (1), 5 (2), 8 and 12 (2).—Proposed

The Committee submitted that it was not advisable to delete the above items from the Tariff Schedule as it might be necessary to re-introduce them after the end of the hostilities.

### Amplification of Entries under Item No. 30 (1)—Proposed

While the Committee approved of the proposed amplification, they suggested that a separate classification of Solunaptols be added to the "Coupling dyes of Naphtol group", under item No. 30(1).

## Refund of Customs Duty on Egyptian Cotton Bales destroyed by the Bombay Explosion, 1944

In their communication dated 30th April 1945 addressed to the Central Board of Revenue, the Committee drew attention to the refund application made by Messrs. Kilachand Devchand & Co., to the Board regarding customs duty on Egyptian Cotton Bales destroyed by the Bombay Explosion of 1944. The Company in question received a shipment of 684 bales of Egyptian cotton prior to the explosion. The bales intended for delivery to the local mills were immediately cleared while a part of the consignment which was meant for upcountry mills awaited transport facilities. In the meanwhile the explosion destroyed the balance of 215 bales. Messrs. Kilachand had, however, paid provisional duty on the whole of the shipment in order to expedite delivery. As the cotton was purchased on c.i.f. contract the insurance company had paid loss to the extent of the value for which insurance was effected. The said value, however, did not include the amount of customs duty paid in British India. The Committee felt that as the Company in question had primarily paid the provisional duty for expediting delivery and clearance and as they were not responsible for the delay in effecting transport of the same to destination, it was but right for the Board to grant the refund claimed by the company on the 215 bales lost by explosion. It was urged that if this refund application could not be entertained under the customs rules, some other provision should be made whereby the company can be reimbursed of the loss of duty sustained by them.

The Central Board of Revenue in their letter pointed out that under the existing provisions of the Indian Sea Customs Act, refund of the amount paid as duty was not allowable and that the Committee might address a separate communication to the Finance Department of the Government of India for further action. The Committee accordingly sent a communication to the Finance Department pointing out therein the peculiar case under reference and requested them to treat this as a special case and refund the amount to the party concerned.

Government in their reply dated 11th June informed the Committee that the above claim might be filed before the Claims Commissioner who had been instructed to grant the same on production of proper evidence.

## Excise Duty on Hemo Drakso Malt and Drakshasav manufactured by the Alembic Chemical Works Co., Ltd., Baroda

In their communication dated 30th October addressed to the Government of Madras, the Committee referred to a recent notification empowering collection of excise duty on the above two preparations at Rs. 30 per proof gallon, manufactured by the Alembic Chemical Works Co., Ltd., Baroda, and pointed out that as the two preparations did not contain any spirituous liquor, the same were not liable to excise duty. It was urged that as the excise duty charged under the above notification was excessive as also inequitable, Government of Madras should refrain from collecting the duty pending further examination of the question of levying the duty.

## III. TRADE, INDUSTRIAL AND LABOUR LEGISLATION

### Industrial Statistics Act, 1942

At the instance of a member-firm, the Committee addressed the Government of India on the 27th March, referring therein to the question of information to be supplied under the Act. It was understood that a very detailed information was sought to be obtained under the above Act, involving great labour and inconvenience to industrialists and manufacturers. The Committee, therefore, suggested that information should be obtained only on the following, as recommended by the XIth Industrial Conference :

(1) Number of factories ;
(2) Gross output—
    (*a*) quantity,
    (*b*) value ;
(3) Total cost of materials—
    (*a*) Indian,
    (*b*) imported ;
(4) Total wage bill ;
(5) Number of persons employed ;
(6) Total cost of power.

### Draft Rules under the Industrial Statistics Act

In their communication dated 13th November addressed to the Government of India, the Committee submitted their views on the proposed draft Rules in connection with the Industrial Statistics Act, 1943, which were briefly as under :—

They invited the attention of Government to their previous correspondence on the subject wherein they had stated that the main purpose underlying the Industrial Statistics Act would be served by Government collecting information of a general character covering production, cost of materials, cost of labour, etc., and that there was no justification for requiring industrial undertakings to furnish information in a more detailed form which would include information which might be deemed as secrets of manufacturing processes. It was stressed that the eliciting by

Government of information in the above regard would prove a hardship to the industrial concerns by being compelled to give detailed information regarding their secret formulae. It was suggested that the industries concerned should be consulted with regard to the particular forms they should be required to fill in for the purposes of the Act. Besides, the Rules and Forms should, in their main features, be uniform for the whole of India. It was also suggested that where an undertaking had several factories in more than one province, the returns might be filed only with the provincial authorities of the province in which the registered office of the company was situated.

### Definition of "Workmen" in the Labour Laws

The Commissioner of Labour, Bombay, by his communication dated 12th June desired the views of the Chamber regarding the advisability of a uniform definition of "workmen" in relation to the various definitions given in the different Labour Laws. The Committee in their reply dated 20th July stated that the different definitions in the various Acts were designed with particular reference to the main purpose and scope of the various Labour Acts. It was therefore felt that the Government proposal for a common definition of "workmen" was neither practical nor feasible. The Committee however suggested that if Government were bent upon introducing a uniform definition, they should send to them (the Committee) a draft of the proposed common definition which would be examined by them (the Committee).

### Compensation for Involuntary Unemployment

The Committee had received a letter from the Labour Office, Government of Bombay in connection with the compensation for involuntary unemployment of labour, to which in their reply dated the 28th February they observed that the entire burden of compensation placed on the employers was unjustifiable and added that the amount of compensation should be borne by the Government and the employers alike. They also suggested the following points for consideration in framing the rules and regulations in connection with the compensation for involuntary unemployment.

1. There should be a waiting period of 15 days and payment should thereafter be made for one month.

2. The rate of compensation should be at a rate less than the rate of earnings (75 per cent of basic earnings).
3. Labour should answer muster call twice a day.
4. Payment of compensation should extend to all industries and should not be restricted only to war industries.
5. The proposal should apply to all industries whether belonging to Government or private persons, and whether in Indian States or in British India.
6. The proposal should not cover cases where the closure is entirely due to an order of Government or directly due to some other action or inaction of Government.
7. Any payment made under the scheme must be accepted as adding to the cost of manufacture for the purpose of purchases on cost plus profit basis.

## Indian Rice Committee Bill

In their communication dated 24th February, the Committee forwarded their views on the Indian Rice Committee Bill to the Reconstruction Department of the Government of Bombay.

Before expressing their views clause by clause as provided under the Bill, the Committee in their general remarks observed that they were in agreement with the objects and reasons of the Bill and emphasised the fact that such a Bill was overdue in view of the fact that there was great scope for increasing the productive capacity of the Indian soil. On the question of putting a cess as suggested in the Bill, the Committee held the view that a substantial portion of the expenditure in connection with the activities should be drawn from the Central Revenues and suggested that a cess to the extent of 4 annas a ton might be levied if the method suggested above did not fully meet the expenditure in carrying out the activities of the Rice Committee.

As regards the constitution of the Rice Committee, it was suggested that two seats should be given to the Federation of Indian Chambers of Commerce and Industry which was the only organisation which would represent the real Indian interests of the country. They also suggested that four seats should be reserved for the Central Legislative Assembly to be nominated by the elected Members of the Legislature. They also suggested that the Milling interests

should be represented by the nominees of different Chambers and Associations interested in the Rice trade. As regards the power of inspection as provided under Cl. 13, the Committee stated that the inspecting staff should not be entitled to have any access to the secret processes employed in any mill and urged that powers to make rules should be retained in the Committee which would fully represent the Rice trade of the country.

### Trade Marks Act, 1940—Section 68—Provisions for Reciprocal Arrangements with Indian States

In their communication dated 15th March addressed to the Government of India the Committee referred to the Government Notification enforcing provision in sub-section 1 of Section 68 of the Trade Marks Act, 1940, that no mark shall be represented as a Registered Trade Mark unless it was duly registered under the Trade Marks Act. It was presumed in this connection that such of the Indian States as might have passed similar trade marks legislation in their territory would also adopt the same procedure and require the trade marks to be registered in such State territories also. It was urged that the Government of India should make necessary reciprocal arrangements with such Indian States to avoid double registration. The Government of India in their communication dated 26th March stated that Indian States had been approached in the matter through the usual channel.

### Imposition of Sales Tax in the Bombay Presidency

The Committee in their communication dated 18th December addressed to the Government of Bombay submitted their views on the proposed imposition of sales tax in the Bombay Province, a brief summary of which is as under :—

Only revenue exigency could justify the levy of such an additional tax. Government's budgetary position had been improving since the year 1941 and it was estimated that a clear margin of one crore of rupees would be expected to continue in future years after including expenditure on post-war reconstruction. It was felt that there was no justification on financial grounds for levying this new tax. Reference was made to the statement annexed to the Bill whereunder it was explained that the immediate occasion for the proposed tax was the need to augment the provincial reve-

nues in order to meet the expenditure, recurring and non-recurring, on post-war reconstruction. The Committee pointed out the existence of a post-war reconstruction fund which had collected about 7 crores of rupees up till now. This amount would in the near future be enlarged to Rs. 15 crores. Thus even with regard to the main reason for levying tax, Government had not provided justification for doing so. Government should have awaited the establishment of popular ministry responsible and representative of the people of the province who would be in a proper position to take up the question of financing the post-war reconstruction proposals. They were opposed to the fundamental principle of policy underlying the procedure which Government had adopted in bringing forward this Bill. In passing, comment was made on the unusual provision in the Bill vesting in the Commissioner of Sales Tax the right of entry and search of any business premises or warehouses without notice. It was pointed out that there was no parallel in the civil laws of any country whereunder such extraordinary powers were vested in the authorities administering Taxation laws.

# IV. GENERAL TRADE AND INDUSTRY

## Interview with the Hon'ble Sir Ardeshir Dalal, Member for Planning and Development, Government of India

The Committee of the Chamber had an interview with the Hon'ble Sir Ardeshir Dalal, Member for Planning and Development, on 26th April 1945 when the following points were discussed :—

1. India remain inactive when other countries take active steps for promoting industries even in the midst of war.
2. Statement of the Government on their future industrial policy.
3. Not consulting the commercial community deplored.
4. How is industrialisation to be promoted.
5. Parallel ownership of industries by the State and by private enterprise.
6. Running of industries as a source of revenue.
7. International opinion in favour of private enterprise.
8. Will nationals or non-nationals manage the industries owned by the State ?
9. Terms and conditions governing establishment of new industries in future.
10. Government's policy and attitude extremely disappointing.
11. Facilities for acquiring capital goods and equipment.
12. Policy re : location of Industries and limitation of output.
13. Foreign capital and control in Indian industries.
14. Existing policy of taxing industries prejudicial to industrial development.
15. Menace of "India Limiteds".
16. Commercial safeguards must go.
17. Interests of India need Indian capital and Indian control for her industrialisation.

## Interview with the Chief Controller of Imports

The Import-Export Sub-Committee of the Chamber had an interview with the Chief Controller of Imports, Government of

India, on 5th April 1945 when the following points were discussed :—

1. Import of Cornel wood blocks for the manufacture of shuttles.
2. Licensing of imports of dyestuffs and chemicals.
3. Import licence for millstores.
4. Import of empty collapsible tubes from U. K.
5. Import of machine tools.
6. Import of synthetic resins.
7. Import licence for watches.
8. Import of provisions—(Tinned, bottled, dried and refrigerated foods).
9. Import of Telephone Equipment.
10. Import of Printing Treadle machines.
11. Import of cashewnuts from Portuguese East Africa.

**Interview with Mr. K. G. Menon, M.B.E., I.C.S., Chief Controller of Exports, Government of India**

The Committee had an interview with Mr. K. G. Menon, Chief Controller of Exports,-on the 27th July when the following points were discussed.

Export Control ; Normal Channels of Trade ; Indian Export Prices ; Basis of allowing exports to liberated territories ; purchase of oilseeds by the British Ministry of Food ; Export of Magnesium Chloride to the U. K. ; Restriction on exports of black pepper ; Export Controller on printed material ; and restrictions on exports of printing types to East Africa.

**Interview with Mr. R. R. Saksena, Indian Government Trade Commissioner in Australia**

The Import-Export Sub-Committee of the Chamber had an interview on 15th November with Mr. R. R. Saksena, Indian Government Trade Commissioner in Australia and New Zealand, when the possibilities of future development and prospects of trade between India and Australia and New Zealand were discussed.

## Interview with Mr. M. R. Ahuja, Indian Government Trade Commissioner in Canada

The Import-Export Sub-Committee of the Chamber had an interview with Mr. M. R. Ahuja, Indian Government Trade Commissioner in Canada on the 10th November, when the possibilities and future development of trade between India and Canada were discussed.

## Statement on "Industrial Policy and the Question of Foreign Capital and Participation in Indian Industrialisation"

The Committee issued a press note on 1st May expressing their views on the statement issued by the Government of India on the question of Industrial Policy and observed that the statement had failed to deal with some of the vital questions affecting the future industrialisation of India in her national interests. The Committee felt that the absence of any assurance that national industries would be protected against internal competition and external aggression from British and other foreign vested interests as also that industrialisation of India would mean development of industries by Indians and for Indians with Indian capital and Indian control and not their exploitation by British capital or British control was causing grave concern to the commercial community. They, therefore, observed that after the acceptance of the resolution for the abolition of commercial safeguards by the Assembly it was thought that Government would have assured the country that they would do their best to get them deleted. The Committee, however, expressed their concern in this connection to find that the Hon. Member for Planning and Development who had proceeded to U.K. had gone not for securing deletion of these clauses, but for getting them replaced for the present by suitable convention. The Committee also referred to certain reports emanating from responsible sources in Britain that some of the industrialists whom Government had selected to proceed to U. K. and U. S. A. were not averse to British participation and British control in Indian industries, and expressed their strong resentment against having any British control or management of Indian industries. They also referred to the question of Sterling Balances and suggested that the recovery of the vast amounts of Sterling Balances exceeding Rs. 1,400 crores from the U. K. should ena-

ble the Indian industries to develop by importing capital machinery and goods from U. K.

## Questionnaire re: Manufacture of Heavy Industrial Plant and Machinery in the Country issued by the Government of India

The Committee in their communication addressed to the Government of India regarding the above stated that they would issue a circular to be sent round to the members of the Chamber regarding furnishing factual data in the matter of machinery requirements of individual undertakings. In regard to the other part of the questionnaire, they replied as under:

The Committee were of the opinion that adequate private capital would be forthcoming provided Government gave assurance of all possible assistance to the industry, including protection against foreign competition. As private capital was willing to finance and develop the industry, it was not necessary for the State to interest itself directly in the manufacture of such plant and machinery. It was felt that there was no need for Government exercising any control on the production or distribution of the products of the industry.

They suggested the following stages of development for organising this industry: (*a*) Industries like machine tool industry should be given first preference; (*b*) manufacture of machinery required for basic and key industries; (*c*) manufacture of machinery required for the other industries and manufacture of machinery required for new industries to be started hereafter.

## Hydari Mission to U.K.

In their telegram dated 30th January 1945, addressed to the Department of Industries and Civil Supplies, Government of India, the Committee referred to the Official Mission led by Sir Akbar Hydari to the U.K. with a view to explore the extent to which war demands in India could be reduced and observed that the Official Mission should have included amongst its personnel persons from industrial and commercial communities as the latter in their opinion were best qualified to judge the production of articles required for civilian purposes. In this connection, they pointed out that the authorities should have made all possible efforts to give encouragement to indigenous production rather

than to have taken recourse to importing goods which in the last analysis would be hitting the local industry in the country. In conclusion, they emphasised that in future if a Mission was to be sent, the same should include a fair complement of representative non-official Indians chosen in consultation with commercial organizations in the country.

Government in their reply dated the 6th February informed the Committee that they had carefully gone through the contents of their (Committee's) telegram and felt that the apprehensions regarding the objects of the Mission were not justified.

### Controls Instituted for Purposes connected with the War

In their communication dated 31st May addressed to the Department of Industries and Civil Supplies, the Committee referred to the various controls being in operation as a result of the war and suggested that Government might take steps to examine the possibility of removing some of those controls which were not required under the changed situation. They, however, in this connection specially referred to the order relating to the Paper Control Economy and suggested that many of the provisions might be relaxed in view of the comfortable position of paper in the country. They also invited information from Government as to the present position of supplies of paper as also the possibilities of removing or relaxing the control on the use of paper.

### Removal of War-time Controls on Trade and Industry

In their communication dated 9th June addressed to the Government of India, the Committee referred to the many controls imposed during war-time and stated that many such controls were rendered unnecessary, as the reasons justifying their continuance no longer existed. They were of opinion that some of the Controls should be substantially modified immediately without in any way affecting the main purpose for which they were first instituted. Government in their reply dated 13th September stated that the removal or modification of Controls referred to by the Committee was under the consideration of Government. It was stated that Government did not intend to retain any Control any longer than it was considered necessary.

## Complaints from Overseas Purchasers about bad Quality and Short Weight of Goods Supplied by Indian Shippers—Business through "Guarantee Broker"

The Director of Commercial Intelligence in his letter dated 23-6-1945 drew the attention of the Committee to the complaints against Indian shippers for bad quality or short weight of goods supplied on the basis of fixed letter of credit. He also conveyed the suggestion from the other end for the purpose of securing protection of a "Guarantee Broker" in India through whose agency foreign shipments after proper certification of quality and weight be allowed to be exported. The Committee in their reply dated 12th July stated that they would be able to give their opinion in the matter only after full details regarding the complaint were furnished to them. They also stated that the question of "Guarantee Broker" would be considered in the light of full details and particulars asked for.

## Post-war Development of Non-ferrous Metal Industry

By their letter dated the 7th June 1945 the Government of India forwarded a copy of the questionnaire issued in regard to the above industry desiring the views of the Committee thereon. In their letter dated 24th August, the Committee submitted their views as under:

The questionnaire was issued primarily to manufacturers interested in the non-ferrous metal industry in the country. They, therefore, confined their observations to a statement of their views on issues of policy arising therefrom. It was stressed that favourable conditions should be created for the development of non-ferrous metal industry in the country. The country was dependent for such metals as aluminium, brass, copper, tin, German-silver, etc. mainly on external sources. They were of opinion that the long-range aspect of the industry should receive the immediate attention of Government and that they should undertake the necessary geological surveys, assist in the promotion of mining undertakings and help the industry in getting the necessary plants and machinery, etc. They emphasised that the refining industry recently established in the country during the period of the war and developed by great efforts for manufacturing secondary metals by refining scrap, should be helped in all possible ways in order to enable the industry to consolidate its position and withstand

foreign competition in the post-war period. It was suggested that facilities should be made available for the industry to get sufficient supplies of raw materials, viz. scrap metal and that Government should allow imports of scraps duty free. They also suggested that all tariff inequalities as between imports of raw materials and corresponding finished goods should be removed. Export of scrap metal from India should be entirely stopped and all scrap available including those released by Government factories, should be collected and made available for use by the industry in the country. They requested Government to make a clear enunciation of their tariff policy and to give an assurance of full-fledged protection to the industry in all stages of its development. Purchase preference by Government Departments to products manufactured by Indian industry was also necessary.

**Representation for Metal Exchange Association, Ltd., Bombay, on the Industrial Panel for Non-ferrous Metals**

The Committee in their communication dated 25th August requested the Government of India to consider the inclusion of a representative of the Metal Exchange Association, Ltd., Bombay, on the Industrial Panel for non-ferrous metals. They stated that as the Association was long established in the metal trade and as their members had long experience in the trade relating to non-ferrous metals, they deserved a place on the Panel concerned.

**Manufacture of Radio Sets in India and suggestion from the British Radio Equipment Manufacturers' Association for Reduction of Tariffs on Radios imported from U. K.**

In their communication dated 16th April addressed to the Government of India the Committee drew attention to the assurances given on the floor of the Assembly by the Commerce Member and the Member for Information, Government of India, that all possible assistance would be given to firms which had approached them to proceed overseas to study the possibility of starting the manufacture of radio sets and accessories in India. In this connection, they referred to the case of Messrs. Motwane Radio Manufacturing Co., Ltd., recently registered for the purpose of manufacturing radios, etc. whose request for facilities for their representative to proceed to U. S. A. for exploring the possibility of developing the industry had not been sympathetically considered.

It was urged that in the light of assurances given as above by Government such facilities should not be withheld from the firm in question. The Committee also referred to the demand from the British Radio Equipment Manufacturers' Association for a reduction of import duty leviable under the Indian Customs Tariff on radio sets imported into India and desired further assurance from Government that indigenous radio manufacture would be protected by not conceding to the suggestion of the British Association.

Government in their reply dated 17th May observed that the question of granting air priority passage to Mr. Motwane was being considered by the authorities. As to the question of protection to be given to indigenous radio industry, Government invited attention to the press note issued by them on 21st April 1945, and observed that no undue reliance should be placed on press reports reference of which had been made by the Committee in their letter of 16-4-1945.

**Assistance to the Shuttle Manufacturing Industry in India**

In their communication dated 19th September addressed to the Government of India, the Committee suggested that Government should assist the Shuttle Manufacturing Industry by procuring to them the basic requirement, viz. Cornel Wood grown in America and removing the import duty on the same, or alternatively lowering the present high level of 30 per cent including surcharge, in order to enable the industry to withstand foreign competition. It was also suggested that Government should ultimately, by research, be able to give a substitute for Cornel wood, with a view to make the industry self-sufficient. Committee stressed that this industry had filled an important gap during the war by supplying to the mills their manufactured products, without the help of which the mills would have been rendered helpless for want of supplies from foreign countries. They therefore urged that the industry was entitled to the assistance sought for.

**Indian Industrial Mission to U. K. and U. S. A.—Request to include a Representative of the Shipping Industry**

The Committee in their telegram dated 21st February invited the attention of the Hon'ble Member for Planning and Development to the necessity of including a representative of the shipping

industry in the personnel which would proceed to U.K. and U.S.A. and emphasised the fact that shipping was an important national industry and the development of shipping and shipbuilding industry should essentially find a prominent place in the country's plans for reconstruction. They, therefore, requested the Member to use his best offices with the Commerce Department with a view to include a representative of the shipping industry in the first batch of Industrial Mission.

### Middle East Supply Centre

In their communication dated 4th June addressed to the Commerce Department, Government of India, the Committee referred to the difficulties which Indian exporters were experiencing in exporting articles to the Middle East. It was pointed out that under the procedure in force at present even after the necessary export quota and licence had been secured from the appropriate authorities of the Government of India, the actual export facilities for the same such as provision for necessary shipping space, etc. were allowed only after the exports had been specifically authorised on behalf of the M.E.S.C. The Committee suggested that in view of the improvement in the war situation as also in the shipping position, there was no need for continuing the formalities referred to above and that Government would see that normal conditions were restored in the trade and the Indian exporters were enabled to make their arrangements for exports to the countries in question with the importers direct without any such official intercession or interference by the M.E.S.C.

### Supply Mission for Middle East

The Committee in their communication dated 12th November addressed to the Government of India drew attention to a newspaper report to the effect that a new organisation called the British Supply Mission would be established in Cairo shortly whose primary function would be to secure an equitable share to the Middle Eastern countries of the essential commodities, viz. cereals, sugar, tea, oil, foodstuffs, timber, leather, jute, etc. The Committee felt that if the information was true, such a proposal would hit hard India in as much as a Mission of the nature would interfere with the Indian export trade to the Middle East countries. The Committee desired more information on the subject, as the

proposal for British Supply Mission for the Middle Eastern countries had vital relevance with Indian export trade.

## Visit of Sir Oliver Gunathilaka from Ceylon to Establish a Supply Mission in India

The Committee in their telegram dated 21st February addressed to the Commerce Department referred to the recent visit of Sir Oliver Gunathilaka, the Ceylon Representative, with a view to establishing a supply centre in India for canalising procurement, handling and despatch of all supplies which would be allowed to be exported from this country to Ceylon, and maintained that such an organisation would affect the normal channel of trade in the country. They protested against the large exports of pulses and grams to Ceylon thereby depleting the internal resources of the country and requested the authorities to review their policy in regard to exports of foodgrains and to lay down a policy which would be in the best interests of the country.

Government in their reply dated 25th May assured the Committee that the Ceylon Government did not contemplate the establishment of a Supply Centre in this country. They further stated that as established trade channels were not in a position to effect shipments of pulses of quotas in full, the Ceylon Civil Supplies Commissioner was permitted, as a special case, to purchase pulses and arrange exports upto 25 per cent of the prescribed quota.

## Sites for Factories for the Manufacture of Rayon

It will be recalled that the Committee had addressed the Board of Scientific and Industrial Research asking to know whether any final decision had been reached regarding the sites and location of rayon factories in India as published in the Annual report of the Committee for 1944. The Board in their reply dated 28th March stated that the Council of Scientific and Industrial Research had decided to publish the report on the matter and a copy of the same would be sent to the Committee in due course. The Committee in a further communication dated 11th April addressed to the Council pointed out the desirability of conducting investigations regarding suitable sites for the manufacture of rayon in the Bombay Presidency and stated that Thana, Ambernath and Surat were

likely sites which would be suitable for the establishment of such an industry.

### Representation on the Drugs Technical Advisory Board

In their letter dated the 24th February addressed to the Director of Indian Medical Service, New Delhi, the Committee requested the authorities to give representation to the Chamber on the Drugs Technical Advisory Board in view of the fact that questions such as the introduction of control and standardisation of drugs, machinery to check adulteration of Drugs, etc. were to be discussed which would in the nature of things greatly affect the interests of the commercial community, and therefore urged that a representation be given to the Chamber on the Board.

### Manufacture of Opium Alkaloids

In their communication dated 28th July addressed to the Central Board of Revenue, the Committee referred to the scarcity of supplies of Opium Alkaloid which formed essential ingredient in the manufacture of several important medicinal preparations. Before the war certain amount of Alkaloids were being supplied by the Government factory at Ghazipur while the rest of the requirements of the country were secured through importation. But during the war years import of this chemical was completely stopped and the industry had to depend for the supplies of Alkaloids on the Government factory at Ghazipur which were very meagre. A demand was made by the interests concerned for allowing private enterprise to take up the manufacture of Alkaloids which Government refused on the plea that control on the manufacture of Opium was necessary under the provisions of the International Conventions. The Committee contended that the International Conventions did not mean that control on the manufacture of such chemicals should be exercised by Government becoming the sole manufacturer of the same. What they envisaged was that a system of control should exist whereby the necessary efficiency in the manufacture should be observed. The Committee were of the opinion that the country should be made self-sufficient with regard to such manufactures and that the Government Ghazipur factory should also cease to work by giving up manufacture into private hands. They criticised Government policy of allowing imports of Alkaloids when private manufacture in the country

was in a position to meet the requirements of the country. They cited the instance of a factory in Baroda which manufactured Alkaloids at rates cheaper than the Government Ghazipur factory offered. This factory was however asked by Government to discontinue the manufacture. The Committee urged that the question of manufacture of Alkaloid in the country was of great importance and that Government should give their early decision regarding the matter.

The Board in their reply dated 20th August informed the Committee that Government could not agree to the manufacture of opium alkaloids by private agencies in British India.

### Protection to the Calcium Chloride Industry

In their communication dated 21st June addressed to the Government of India the Committee referred to the representation made to the Government by the Pioneer Magnesia Works, Ltd., on the question of affording adequate protection to the Calcium Chloride industry. While supporting the case of the Pioneer Magnesia Works, Ltd., the Committee urged that the Calcium Chloride industry should be allowed unhampered to continue their manufacturing activities in the country free from fear of foreign competition.

### Development and Control of Electric Supply Industry

In their letter dated 22nd November 1944, the Public Works Department, Bombay, invited the views of the Committee on the above subject. The Committee in their reply dated 23rd December expressed their views as under :—

'The Committee at the outset observed that they were not replying to the memorandum on all the technical aspects contained in the communication and enclosures thereto, but would confine their observations mainly to the fundamentals that affect the industry concerned.

The Committee held the view that it would have been better had the electrical interests been represented while the Policy Committee was discussing the question regarding development and control of electric supply industry in the country, and expressed the hope that in future Government would make it a point to invite representatives of the industry when this aspect would be

discussed. As regards the future ownership and control of the electricity generating and supply industry, the Committee expressed the view that Government should, in the absence of any relevant information, allow it to be owned by private interests and lastly urged that the standard rate of 7½ per cent subject to income-tax proposed in the memorandum as return on capital invested in the industry was inadequate and held the view that the actual return would then be only 4 per cent or even less than that, and suggested that a fair basis of estimating the capital employed should be evolved in consultation with the interests concerned in order to induce investors to put their money in the development of the electricity industry.

### Supply of Electrical Energy for Power Purposes

At the instance of flour mills and other factories at Dohad, the Committee addressed on 7th August the Government of Bombay drawing attention to the difficulties experienced by the factories there as a result of restrictions imposed by the District Magistrate concerned to the effect that the Dohad Power House would supply energy during night time for a period of 12½ hours. It was pointed out that work during night entailed practical difficulties with regard to output, efficiency and proper supervision. Besides Panchmahal was an important distributing centre for grains and pulses which were essential foodstuffs, supply of which would be endangered if proper working conditions were not given. It was suggested that the Dohad Power House in the first instance should be put under A or B classification whereby the same could receive more diesel oil and allowed more power to be supplied to the industries concerned. Pending the change in classification it was suggested that hours of electric supply be staggered for lighting and motive power purposes.

### Supply of Electrical Energy for Industrial Purposes

In their communication dated 3rd October addressed to the Government of Bombay, the Committee stressed the question of the existing shortage of electrical energy which was causing serious hardship to some of the factories which had lately imported machinery operated by electricity. As an instance in point, they drew attention to the case of Messrs. Garlick & Company, who had imported some machinery costing thousands of rupees through

the Munitions Department, which machinery was lying idle because the firm could not get the requisite supply of electric energy to work those machineries. It was urged that production of electrical energy in the Presidency should be stepped up and Government must be prepared to meet with the increasing demands for electricity in future as a result of new machineries which would be imported due to relaxation in Government's Import Policy. The matter is under further correspondence.

## Distribution of Dyestuffs in Madras Province

The Committee in their communication dated 13th November addressed to the Provincial Textile Controller, Government of Madras, drew attention to the proposed scheme for the distribution of dyes in the Madras presidency whereunder the dye trade was proposed to be classified into three categories: importers; importers' authorised distributors and wholesale dealers; and retailers, all of whom were to secure a licence on payment of a prescribed fee. Importers under the scheme were allowed to sell only to their authorised distributors and wholesale dealers, which would mean that the consumers were not allowed to secure their supplies direct from the importers. As the scheme was a direct infringement on the freedom of the trade and would in future create difficulties for the consumers and trade concerned the Committee requested the Government of Madras to drop the scheme.

The Provincial Textile Controller in his reply dated 17th November informed the Committee that the question of exports and imports with regard to the distribution of dyes had not yet been considered finally and that it was not their intention to interfere with any importer regarding distribution of dyes and chemicals to Provinces and States. The trade would, however, be consulted before any such decisions were finalised. It was added that importers would be permitted on application to sell directly to dealers as well as large consumers. The matter is under further correspondence.

## Bombay Cotton Cloth Regulation Order 1945

In their communication dated 15th March addressed to the Government of Bombay, the Committee referred to the Bombay Cotton Cloth Regulation Order 1945 which was intended to be

in supersession of the control order which regulated the licensing of the trade in cloth, namely the Bombay Cotton Cloth Dealers Licensing Order 1943. The Committee objected in the first instance, that this new order should have been brought into operation without consultation with the trade interests concerned as some of the provisions directly affected adversely the trade concerned. Under Clause 8 of the Order, the Government was empowered to refuse an application for licence without assigning any reason. This, the Committee felt, was a serious hardship to the trade and would lead to displacement of even such persons in the trade who might have been long established. They also suggested that provision should be made for appeal against any such decision. The scale of fees proposed for various classes of licences under Clause 11 was abnormally high. The Committee suggested that the fees should be fixed as under the old licensing order. Under Clause 22, Government was given power to cancel or suspend any licence without any right to compensation or refund of fees without previous notice or without assigning any reasons. It was suggested that the Clause should be so amended as to provide that such cancellation should be accompanied by a statement of reasons for such decision. An appeal should also be provided against such decision.

Government in their letter dated 6th April informed the Committee that the circulation of the draft of the Order in question was not necessary in their opinion as there were several representatives of the trade on the Textile Control Board and on the Distribution Committee through whom the trade had been made aware of the new arrangements. With regard to the high scale of fees for different classes of licences, Government were not agreeable to reduce them. The fees for the renewal of licences, however, were scaled down as follows :—

| | Rs. |
|---|---|
| A class .. .. .. | 100 |
| B class .. .. .. | 100 |
| C class .. .. .. | 25 |
| D class .. .. .. | 100 |

With regard to Clause 22, it was stated that consideration was given to each case before the powers conferred by this clause were exercised.

## Bombay Cotton Cloth Regulation Order 1945

The Committee addressed a communication on 15th March to the Government of Bombay and referred to some of the provisions of the Bombay Cotton Cloth Regulation Order 1945 which affected the trade in general, and suggested various changes including changes in the licensing fees for various classes as provided under the Order.

## Distribution of Cloth and Profit Margin for the Retail Trade

In their communication dated 24th March addressed to the Textile Commissioner, Bombay, the Committee referred to the introduction of a new class of wholesalers, viz. class "B" under the Bombay Cotton Cloth Trade Regulation Order 1945 and the changes made in the profit margin allowed to wholesalers from the margin available under the Bombay Cotton Cloth Dealers' Licensing Order. The Committee referred in this connection that before 15th of January 1945 wholesalers were allowed to charge 4 per cent profit on ex-mill price the remaining 16 per cent being available to the retail trade. Under the new order, however, the two classes of wholesalers, viz. "A" and "B" were allowed a profit margin of 9 per cent thus reducing the share of margin to the retailers to 11 per cent. The Committee suggested that looking to the turnover and overhead expenses, the retailers be given a higher margin of profit than was available under the new Order of 1945. They, however, made it clear that the total margin of profit, viz. 20 per cent should, under no circumstances, be increased, but that the profit margin to the retailers should be raised to meet their requirements of the nature stated above.

## Representation of the Bombay Shroffs (Bankers') Association, etc. on the Cloth Distribution Panel

At the instance of the Bombay Shroffs (Bankers') Association, the Committee had suggested to the Textile Controller that representation to the Bombay Shroffs (Bankers') Association Memon Chamber of Commerce, Memon Merchants' Association and the Bombay Commission Agents Association should be given on the Cloth Distribution Panel as was available to the Country and Fancy Piecegoods Merchants' Association, the Hindustani Native Merchants' Association, etc., etc. In this connection they pointed

out that in the organization of distribution there were many Commission Agents who did not buy directly from the mills but secured their requirements from the agents of the mills and merchants who were stockists. It was therefore essential that representation to those who were members of the 4 associations referred to should be given with a view to secure equitable distribution of cotton cloth outside the Presidency.

The Textile Controller in his reply dated 31st March informed the Committee that it was not possible to allow representation, as desired, in the interests of efficiency. An assurance was given that no interests would suffer because the particular association to which they were attached was not given representation on the Panel.

### Kathiawar Scheme for Cloth Distribution

The Committee in their communication dated 17th October addressed to the Textile Commissioner drew attention to the difficulties experienced by the Kathiawar Mills and their quota-holders under the Cloth and Yarn Supply Scheme functioning in Kathiawar. It was stated that the Cloth Distribution Scheme, although formulated in the interests of equitable distribution of cloth in Kathiawar, had not functioned effectively and had resulted in accumulation of large stocks of cloth in the hands of the mills and the quota-holders there, as the work of issuing permits for movement and export of cloth for disposal of surplus stocks to deficit areas was entrusted with the authorities who did not know their job. Long delays occurred in the first instance in putting into force the scheme, as a result of which large stocks of cloth were collected with the mills and in the hands of the quota-holders. It was urged that Government should review the functioning of the Kathiawar Cloth Distribution Scheme and make such revisions and modifications as would encourage speedy disposal of the surplus stocks in Kathiawar.

### Supply of Cloth to Ready-made Clothes Manufacturers

The Committee in their communication dated 5th October addressed to the Provincial Textile Controller, Bombay, referred to the non-inclusion in the rationing scheme of the ready-made clothes manufacturers as a result of which such manufacturers

were unable to secure cloth quotas for carrying on their business. It was stated that there were about 200 manufacturers employing 2,000 workmen, whose living had become precarious on account of the manufacturers not being able to get cloth under the rationing scheme. It was also stated that the trade was popular with the middle class people and it was the duty of Government to see that such clientele got their requirements as previously. The Committee desired to know what steps Government proposed to take in the matter.

The Controller in his reply dated 20th November informed the Committee that Government was not in a position to make any supplies to such manufacturers at present. However, the matter was under Government's consideration. It was open to such manufacturers to use non-rationed varieties of cloth for their business.

### Supply of Requirements of Gauze, Lint, Bandage Cloth, etc. for Hospitals

In their communication dated 12th November addressed to the Additional Textile Commissioner, Bombay, the Committee referred to the notification requiring all general and private hospitals to apply to the office of the Textile Commissioner for their requirements of Gauze, Lint, Bandage Cloth, Mosquito Nettings, etc. giving their average monthly needs. Committee desired to know whether it was the intention of Government to merely collect the information regarding the needs of such articles by the hospitals or whether it was intended that the supplies of these articles should be confined to the agency of Government. They referred to the indigenous factories manufacturing these articles and other hospital requirements and stressed that the industry had met the needs of the hospitals in this regard. They also referred to the apprehensions of the manufacturers regarding the possibility of Government meeting such requirements from supplies of imported Gauze, Lint, Bandage Cloth, etc. which were now rendered surplus on the cessation of hostilities, and desired information on the points raised above.

The Textile Commissioner in his reply dated 15th November informed the Committee that there were no restrictions on the mills manufacturing the said articles to sell to any dealer possess-

ing the necessary licence. In another communication he informed the Committee that the imported articles were not in surplus.

### Movement of Mosquito Netting from C. P. to Bombay

The Distributors of the Bengal Nagpur Cotton Mills nettings represented to the Committee their difficulties in securing permits for transport of their nettings from C. P. to Bombay. It was stated that they had surplus stock of nettings as the war orders had now been cancelled and they were in a position to supply nettings to provinces outside their own. They informed the Committee that such permits were being refused by Government on the ground that Bombay was a surplus province in regard to textile supplies and therefore such permits could not be issued in favour of Bombay.

The Committee, therefore, advised the Textile Commissioner, Government of India, in their letter dated 17th October 1945 that although the refusal of such permits, as desired by the exporters, of nettings from C. P. to Bombay, was justified on technical ground, the restriction should now be relaxed as the war emergency had ended and as such supplies of nettings were necessary in parts other than C. P. also in the interests of the public as a protection against Malaria.

The Textile Commissioner in his reply dated 8th November informed the Committee that his Department had no objection to such movement outside the C. P. to any of the deficit areas, provided the Provincial authorities in C. P. agreed. It was added that as Bombay was not a deficit area with regard to such nettings, it was not proper to allow such movements to Bombay.

### Distribution of Yarn in Sangamner

In their communication dated 20th April addressed to the Provincial Textile Controller, Bombay, attention was drawn to the case of the Sangamner Merchants' Association who were informed that if they formed themselves into a union of yarn merchants and weavers of that place, such union would be entrusted with the distribution of yarn in Sangamner. Accordingly a union was formed and the District Magistrate of Ahmednagar was

requested to arrange for distribution of the supplies through the union. Subsequently, however, the North Central Division Association, Ahmednagar, was entrusted with the work of such distribution at Sangamner. The Committee felt that by such action on the part of Government, the local union was deprived of its just right of distribution and it was urged that the local yarn merchants should be given a fair deal in this matter and should be entrusted with such distribution and their grievances removed at an early date.

### Distribution of Yarn imported into Surat

In their communication dated 6th September addressed to the Provincial Textile Controller, Bombay, the Committee drew attention to the case of the Surat Yarn and Silk Merchants Association, who were till recently responsible for the regular supply and distribution of yarn to weavers. Even after the promulgation of the Cotton Cloth and Yarn Control Order, Government had arranged for the distribution of yarn to weavers through the members of this Association. This work of distribution had all of a sudden been taken away from the Association and entrusted to a newly-constituted Co-operative Society in Surat. This, the Committee contended, was disturbing the normal channels of trade. They, therefore, desired to know why this change in the agency of distribution of yarn had been made and what reasons prompted them to take such a step.

The Controller in their reply dated 26th October informed the Committee that as the present arrangements for distribution of yarn in the Surat District were satisfactorily working, it was not possible for them to interfere in the matter.

### Distribution of Chinese Raw Silk

In their communication dated 23rd June addressed to the Government of India, the Committee referred to the work of distribution regarding Chinese raw silk recently released by Government entrusted to the Yarn Merchants' Association and emphasised that such distribution arrangement should have been entrusted to the Raw Silk Merchants' Association, Bombay, who were in the trade since long.

## Hand-printing of Cloth

In their communication dated 17th February 1945, addressed to the Provincial Textile Controller, the Committee referred to the Notification requiring persons to obtain licence for printing *sarees* and similar clothes mainly used by the womenfolk of the city. They pointed out that the effect of the Notification had been that the womenfolk were required to travel from one place to another to obtain the licence provided under the Notification which put them into great difficulties and hardship. They, therefore, suggested that arrangements should be made to issue licences at each rationing ward and also urged to reduce the fee required under the Notification.

The Controller in his reply dated 6th April informed the Committee that their suggestion of a nominal fee of As. 4 for a permit irrespective of the number of pieces to be printed, was not acceptable. He, however, assured that arrangements had been made to issue permits to the public in C, D and G Ward Rationing Offices also. He further assured that similar arrangements would be made in other rationing offices if it was found necessary.

## Distribution of Dhoties and Sarees

In their communication dated 17th April addressed to the Provincial Textile Controller, the Committee referred to the decision of Government to allot and give only one pair of dhoties and one pair of sarees to the head of a family and stated that such allotment did not take into account the requirements of families consisting of more than one person. The Committee desired to know under what circumstances Government thought it fit to introduce such a system which *prima facie* did not appear practical. They also requested Government to let them know when adequate distribution of dhoties and sarees would be possible.

## Restriction on Movement of Cotton Waste from Ahmedabad to Bombay

The Committee in their communication dated 3rd October addressed to the Director of Civil Supplies, drew attention to the difficulties experienced by the trade on account of the restricted movement of cotton waste from Ahmedabad to Bombay for export purposes and suggested that, in view of the end of the hostilities,

the restriction should be removed especially as large supplies of cotton waste were available in Ahmedabad.

## Distribution of Controlled Woollen Goods

In their communication dated 24th May addressed to the Department of Industries and Civil Supplies, the Committee referred to the existing arrangements for distribution of controlled woollen goods and to the injustice which had been done to the interests affected. It was understood that Government had appointed certain parties in Bombay as recognised dealers for the sale of controlled woollen goods. In the list of those who were appointed, the name of Messrs. Cawnpore Mills Depot was not included. The Committee in this connection pointed out that the Cawnpore Mills Depot were an established and reputable firm and that their name ought to have been included in the list, by virtue of the fact that the firm had an efficient organisation and had satisfied their clients. They, therefore, requested the authorities to include the name of the firm in the list of recognised dealers.

## Control of Prices of Cotton Seeds

The Committee in their communication dated 17th April addressed to the Government of Bombay referred to the general practice of fixing of prices of cotton seeds in the Presidency sometime during the month of December before the season commenced with a view to enable the ginneries to regulate their purchases of cotton on the basis of prices fixed for cotton seed. They, however, pointed out that in the current year the price of cotton seeds was fixed as late as in March when the season had already started and purchases of seeds had already been made to a large extent. The attention of Government was drawn to the fact that although the interests concerned had time and again drawn the attention of Government to the urgent necessity of fixing prices of seeds before the season began, Government had continued to delay the fixing of such prices till March, which action of Government had put the trade to considerable loss, as the price fixed by Government was Rs. 40 per *kalsi* while purchases were made by the trade at Rs. 70-75. The Committee urged that while they appreciated the action of Government to keep the prices of cotton seeds lower,

they would emphasise that such prices should be fixed before the beginning of the season and that such prices should be uniform in the British Indian territory and the contiguous Indian State territories in the interest of ordinary marketing of cotton seeds.

**Purchase of Oilseeds by the British Ministry of Food, London**

In their communication dated 10th July, addressed to the Government of India, the Committee drew attention to the fact that the British Ministry of Food were constituted as sole purchasers of oilseeds for export of the same from this country. Upto now the Ministry's requirements were purchased from all shippers without discrimination ; but with the resumption of trading with certain continental ports, the Committee were given to understand that the Ministry of Food had issued instructions to their agents here that the shipments to continental ports should be allotted only to three specified firms, viz. Messrs. Ralli Brothers, Ltd., Louis Dreyfus, and East Asiatic Co., Ltd. The Committee desired to know whether such discrimination in the selection of shippers to continental ports was exercised with the consent of the Government of India. They also desired to know whether the exports to continental ports would be regulated through the agency of the British Ministry of Food and whether such exports would be confined to the agency of selected parties.

The Government of India in their letter dated 24th August informed the Committee that while the Ministry of Food would be allowed to make such purchases till normal condition were restored in the liberated Europe, there was no question of trade with Europe being confined to a few selected firms, and that adequate opportunity was being given under the existing arrangements to exporters of oilseeds regarding export trade with Europe.

**Purchases of Groundnuts for the U.N.R.R.A.**

The Committee in their telegram dated 17th September addressed to the Commerce Department, Government of India, referred to the purchases of oilseeds by the British Ministry of Food from India for the U.N.R.R.A. and emphasised that exports on account of the U.N.R.R.A. should be allowed only in the form of oil and not as seeds. The Committee also urged that such purchases should be made by the Government of India and not by the British Ministry of Food.

The Government of India in their reply dated 30th October informed the Committee that the supplies of groundnuts for U.N.R.R.A. were made out of the H.M.G.'s quota which was allotted in the form of kernel. They, therefore, were unable to accept the suggestion of the Committee.

## Coal Control Board

As published in the Report of the Chamber for 1944 the Committee in their letter dated 14th November 1944 had amongst other points suggested to the Hon'ble the Supply Member, Government of India, that a representative of this Chamber be invited to attend the Coal Control Board meeting when questions regarding raisings and distribution of coal would be discussed. The Secretary to the Coal Control Board in his letter dated 5th January informed the Committee that a meeting of the Coal Control Board would be held on January 17 and that the representative of the Chamber might be sent to attend the same. Accordingly Mr. Madhavlal M. Bhatt, a member of the Chamber, attended the meeting and submitted a memorandum on questions of supplies of coal to industrial and civil requirements.

## Supplementary Quota for Steam Coal

On 14th April the Committee addressed the Provincial Coal Controller, Bombay, supporting the request of Messrs. Nowroji Vakil & Co., Ahmedabad, for grant of supplementary quota for steam coal.

## Supply of Fuel Wood to Sugar Factories

In their communication dated the 10th December addressed to the Government of India, the Committee referred to the allocation of quotas by the Government of India for supply of fuel wood to sugar factories with recommendation to the Provincial Governments concerned to make available to the sugar factories the fuel wood quotas for supplementing their coal requirements. In this connection they invited the attention of Government to such quota allotted by Government to the Walchand Nagar Industries at Baramati and stated that the Government of Bombay had refused to give facilities for securing to the factory the fuel wood under their quota. It was urged that as the Provincial Govern-

ment concerned had shown its inability to supply the quota granted by the Central Government, it was upto the Government of India to see that adequate supply of coal was guaranteed to the Walchandnagar Industries for working their factory.

**Import of Rayon and Cotton Yarn and Piecegoods from U.S.A.**

At the instance of Messrs. Haji Hassan Dada, a member-firm of this Chamber, the Committee on 5th September represented to the Deputy Chief Controller of Imports, Bombay, that the cotton yarn import quota licence already granted to the above firm during the first half of the current year should be extended as export licences at the other end were not available to the shippers in U. S. A. It was also represented that their licence for import of rayon yarn from U. S. A. should be converted into import of rayon piecegoods, as rayon yarn was not available in that country. It was stated that as the shippers at the other end were in a position to export in the second half of the year, the request made by Messrs. Haji Hassan Dada should be given favourable consideration.

Regarding the application of the above company for grant of import quota for cotton piecegoods, the Committee informed the Controller that the company were mainly concerned before the war in imports of such goods from Japan and that they had not the requisite previous imports in the year 1941-42, which basic period was fixed for the purposes of fixing quota for the grant of import licences. The Committee, therefore, requested the Controller in the interests of equity that the basic period of 1940-41 or any other suitable period should be fixed, as otherwise great injustice would be done to importers who had previous imports only from Japan and who were not in a position to establish their claim for basic quota in the period 1941-42.

**Imports of Cotton Ropes, Tapes and Bandings**

As published in the Report of the Chamber for 1944 the Committee had addressed a communication to the Textile Commissioner in connection with the import of cotton ropes, tapes, bandings, etc. Government in their reply dated 19th December 1944 informed the Committee that the import of these materials was necessary and added that the import quota of these materials which formerly stood at 5,500 cwts. had been reduced to 3,000 cwts.

The Committee in a further communication dated 19th January reiterated their contention that the import of these articles was not necessary as, in their opinion, the indigenous production was sufficient to meet the requirements of the textile industry. Government in their letter dated 25th January remarked that after careful enquiries from the mill-industry they found that Indian-made ropes, etc. were not suitable for certain purposes and therefore the authorities were not prepared to reduce the import of quota below 3,000 cwts., as suggested.

### Imports of Tinned and Bottled Provisions

The Committee in their communication dated the 5th October addressed to the Government of India drew attention to the difficulties experienced by importers and dealers in tinned, bottled and refrigerated foodstuffs as a result of a limited number of such importers being allowed to import by the Regional Food Controller as advised by the Food Panel for Import appointed by Government. The importing houses numbered 13, of which 9 were European. In view of the end of the hostilities it was urged that such import restrictions should be removed; otherwise all importers who had imports in the basic period, should be given quotas in relation to their previous trade.

### Import of Cashewnuts

As published in the Report of the Chamber for 1944, the Committee had addressed a communication to the Government of India requesting them to relax restrictions on import of cashewnuts from Portuguese East Africa. Government in their letter dated 10th January informed the Committee that the restrictions were lifted on the imports of raw cashewnuts from Portuguese East Africa for the period January-June 1945.

### Import Control on Dye-stuffs

In their telegram dated 16th February, the Committee referred to the representation made by the Dye-stuffs Merchants' Association and observed that in the case of Importers who secured their supplies from Italy and Holland in the basic year the proportionate quota for a full year based on the actual imports for the 5 months' period should be taken into account and import licences be granted

to importers who had got their supplies from Italy and Holland in the basic year 1940, as suggested by the Dye-stuff Merchants' Association.

Government in their reply dated 16th March observed that they were unable to accede to the request of the Committee that the imports of dyestuffs from Italy and Holland in 1940 be calculated at 12|5th of the imports of the first 5 months of 1940 for purposes of calculation of quotas. They, however, assured the Committee that the application for import licence from firms who had inadequate quotas would be sympathetically considered by the Chief Import Trade Controller.

### Inclusion of the Share of Imports from Italy and Holland for purposes of Import Quotas

In their communication dated 20th July addressed to the Chief Controller of Imports, the Committee referred to their recent interview with the Controller when he had assured them that consideration would be given to the past imports from Italy and Holland in the calculation of quotas for imports of dyestuffs and that such would be standardised and would continue to be given for future importation also. In terms of such assurance the Committee requested that the concession should operate for July-December 1945 period, which the Committee were given to understand was not given. Such relief was necessary in cases of those importers whose main imports in the past were from Italy and Holland.

The Government of India in their letter dated 3rd August informed the Committee that the quotas for dye-stuffs from U.S.A. had been allotted for the period July-December 1945 to pre-war importers of dye-stuffs from Italy and Holland, and that the question of alloting additional special licences would be considered in each case on receipt of applications through the Deputy Chief Controller of Imports, Bombay.

Committee in their further reply dated 24th September expressed dissatisfaction regarding the position of special licences. They drew attention to the fact that the quotas were fixed in relation to imports from Italy and other countries in 1940 and that in the said year the imports took place only for about 5 months and therefore the quotas represented about 5|12ths of the normal imports. In view of the above, they felt the obvious injustice done

to certain importers and suggested that the quota should be adjusted on the basis of the imports for the 5 months for the full period of 12 months. It was urged that the importers concerned should get this additional quota as a matter of course and that there should be no need for special applications for each shipping period.

### Import Trade Control and Open General Licence for Drugs and Medicines

The Committee in their communication dated 24th September addressed to the Chief Controller of Imports referred to Government Notification announcing Open General Licence in respect of imports of various articles from U.K. and the schedule attached thereto. They particularly referred to the item "Drugs and Medicines" contained in the said Schedule whereunder those drugs containing spirituous, and proprietory and patent medicines were allowed to be imported. They stressed that in the interests of public health, drugs and medicines not specifically mentioned in the schedule as also the basic chemicals and drugs required for the manufacture of medicines in the country should be included in the Open General Licence. They also suggested that the import control on drugs and basic chemicals should be completely lifted and their imports from all countries should be allowed without being subjected to any requirement regarding licence.

The Controller in his reply dated 29th October assured the Committee that the question of difference in the treatment of drugs and medicines containing spirit and those not containing spirit was under consideration. It was stated that unrestricted imports of all kinds of drugs and medicines was not desirable. Besides, the issue of licences for drugs available in the Sterling countries has been considerably liberalised. Regarding import of medicines from the U.S.A., the Controller informed the Committee that a fairly high quota had already been set aside for such imports.

### Import of Stores by Indian Railways

In their communication dated 27th September addressed to Government of India, the Committee referred to the procedure of purchasing the requirements of stores, machinery, etc. of railways in India in pre-war time. It was stated that before the war

all the requirements of stores and goods for the railways were met from local production and recourse to imports from foreign countries was taken only when such requirements could not be made available in the country itself. It was also the practice with the Indian Stores Department to publish every three months a statement showing the nature of orders placed and giving at the same time relevant information as to the reasons why such indents had to be placed outside the country. But during the war the pre-war procedure was changed and requirements of the Indian railways were handled by the Director of Railway Demands and officers of the Supply Department. The foreign import indents were being sent to the Controller of Railway Stores Imports, who could not be conversant with the nature of supplies available in the country. Accordingly it was apprehended that a large amount of railway material was being imported, which was available in the country itself. Committee therefore suggested that the former arrangements of imports should be restored whereunder indents to foreign countries should only be placed in case of absolute necessity and in cases where the articles might not be available in the country.

### Proposed Import of Asphalt for Road Construction in India

The Committee in their telegram dated 17th September addressed to the War Transport Department, Government of India, referred to the proposal for importing Asphalt in large quantities for construction of roads in the near future. It was suggested that instead of Asphalt road construction, cement road construction was preferable in that the cement roads were more durable and gave longer service than roads surfaced by asphalt. Moreover, if cement road construction was taken up, the indigenous manufacture of cement would be greatly helped. It was stressed that the proposal to construct roads surfaced by asphalt was against national interests, as thereby an imported material would have to be utilized in place of cement, which was available in the country itself.

### Import of Mutton Tallow

The Committee in their letter dated 12th October addressed to the Government of India drew attention to the shortage of mutton tallow which was required by the textile industry in the

country. It was explained that the Indian production of mutton tallow was very little and the deficiency was met by imports from Australia and New Zealand in the past. The present scarcity, however, was due to a severe draught of tallow in Australia. Besides, all tallow in New Zealand was being purchased by the Ministry of Food in U. K. which was responsible for its distribution. In this connection, the Committee drew attention to the substantial service rendered by the Indian Textile Industry to the Allied cause and stated that a high priority for the supply of such tallow was due to the industry. It was urged that the Government of India should approach the authorities in U. K. and secure a substantial import of mutton tallow from New Zealand for use by the Indian textile industry.

Government in their reply dated 27th October informed the Committee that they were making every effort to increase the supply of tallow to the cotton textile industry.

### Import of Silk and other Goods from Hongkong, Shanghai and Japan

In their communication dated 12th November addressed to the Government of India, the Committee drew attention that European and American countries were about to resume their trade relations with countries in the Far East and Japan. They therefore felt that the case of India should not go by default and that Government should take up the question of resumption of trade relations between India and such Far Eastern territories, which were till now occupied countries and where in the past before the war Indian interests had established trade relations and were carrying on considerable amount of import-export trade. It was urged that Government should consider the question of giving adequate facilities to Indian merchants and firms for the purpose of resuming trade contracts with the Far Eastern countries including Japan.

### Import of Unmanufactured Raw Ivory

The Committee in their communication dated 30th November addressed to the Chief Controller of Imports referred to the inclusion of manufactured ivory articles in the Open General Licence for imports which benefit was not extended to unmanu-

factured raw ivory which had considerable market in India. The result of this discrimination had been that raw ivory prices in the country had risen to high levels and consequently the industry engaged in the manufacture of carved ivory articles in the country had been greatly handicapped. Attention was drawn that Japan was before the war the principal exporter in ivory articles and imitation ivory. Committee requested Government under the circumstances to allow the industry in India to take the maximum advantage of the position which could be done by allowing import of unmanufactured raw ivory into India without any restrictions to enable the ivory trade in India to meet the export demand.

### Import of Synthetic Resin from U. K.

In their communication dated 16th February the Committee referred to the difficulties experienced by the Ivory Merchants on account of shortage of resin required in the preparation of buttons, brushes, etc., and requested the authorities to issue licences for the importation of synthetic resin from U. K. as it was not possible for the merchants to obtain the article under reference from any other source under war conditions.

### Licence for Import of Synthetic Stones

In their communication dated 8th June addressed to the Government of India the Committee requested Government to give facilities to importers to import synthetic stones in adequate quantities from Switzerland to enable the trade to export the same to U. S. A. after being cut and polished.

Government in their reply dated 7th September informed the Committee that they were not in a position to revise their present policy regarding import of such stones from Switzerland. It was, however, stated that permits would be granted to import such synthetic stones from U. S. A. for purposes of being cut and processed in India and subsequently re-exported to U. S. A. It was also stated that import of limited quantities of such stones would be allowed from France.

### Import Licence for Vegetable Ghee Plants from U. S. A.

Messrs. Rustomji Nowroji Bapasola, Bombay, was refused import licence for vegetable ghee plants from U. S. A. by the Chief

Controller of Imports in spite of the fact that the orders in the above connection had been registered and accepted and instructions to issue licences had been already passed by the Department. The Committee in their representation dated 23rd June addressed to the Chief Controller of Imports expressed their surprise that import licences should have been refused under the above circumstances when there was no logical reason to do so. It was stated that between the period of registration and acceptance and the refusal, nothing had transpired involving difficulty regarding dollar exchange, shipping space, etc. It was urged that in the light of the easy war situation and relaxation of restrictions on imports from U. S. A., the said licences should be issued to the party concerned.

Government in their reply dated 5th July stated that the licence had been refused as a result of a change in policy both in regard to the release of Dollar exchange for post-war projects and in regard to the expansion of the vegetable ghee industry in the country. The Committee in their further reply dated 20th July drew attention to the fact that the Assistant Controller of Imports had informed the importing firm that their order for the plants had been accepted and that instructions had been issued for the grant of necessary licence. If any change was made in the policy regarding the release of Dollar Exchange for post-war projects and in regard to the expansion of the vegetable ghee plant industry in the country, the same was made after the categorical assurance had been given to Messrs. Bapasola that their orders had been accepted and licences were being issued. It was clear from the circumstances of the case that retrospective effect was being given to the change in policy which was not fair nor equitable to the firm in question. They also desired to know what exactly was the change in policy above referred to. As the reply from Government was unsatisfactory, the Committee in their further communication dated 28th August addressed to the Food Department of the Government of India, pursued the matter further putting before them the fundamental points that were involved in the refusal of licences for importation of vegetable ghee plants from U. S. A. to Messrs. R. N. Bapasola. They referred to their interview with the Hon'ble the Food Member on the 17th August when he had given an assurance that if the details of the case were placed before him, he would consider the case of the importer.

The Committee urged the Food Department, in terms of the assurance given by the Food Member, to reconsider the case.

Government in their reply dated 4th October informed the Committee that the Chief Controller of Imports would issue import licences in favour of Messrs. R. N. Bapasola which would be valid for shipment during July-December 1946.

### Importation of Rabbits

The Committee had addressed a letter to the Government of India on 20th September 1944, in connection with the proposed importation of rabbits, as mentioned in the Report for 1944. Government in their reply dated 9th January stated that the scheme of importing wild rabbits from Australia for breeding under controlled conditions for supply of meat envisaged by the Army authorities in India had been abandoned on account of the risks involved in it.

### Checking of Export Invoices

In their letter dated 13th January addressed to the Export Trade Controller, Bombay, the Committee referred to the delay experienced by the industry in the Price Control Department in the matter of checking Export Invoices resulting in great inconvenience to merchants and requested that arrangements be made to expedite the procedure followed in checking such Export Invoices. The Export Trade Controller in his letter dated 30th January informed the Committee that the congestion in the department had been cleared and that the work of checking the invoices would be expedited in future.

### Export of Cotton Piecegoods and Yarn to Java

In their communication dated 28th September addressed to the Government of India, the Committee referred to their Notification which required Indian exporters of piecegoods to Java to submit statements showing exports during the 3 years ending 1940-41. Committee contended in this connection that the basic period fixed in the case of Java would not help the Indian exporters to get any worthwhile quota, as the market for piecegoods and yarn in Java was controlled by Japan almost exclusively before 1941. It was, therefore, suggested that the basic period should be

changed to 1941-42 for the purpose of allocating quota for piecegoods and yarn to Java. Government in their reply dated 30th November informed the Committee that they were collecting particulars of exports of piecegoods and yarn to Java during the year 1941-42 also, and that the suggestion of the Committee regarding a suitable basic period for the purpose of grant of quotas would be borne in mind.

### Exports from India to Madagascar

The Committee sent a telegram on 3rd February to the Government of India in connection with the allotment of freight to Indian Exporters of cotton piecegoods to Madagascar followed by a letter dated 8th February in which they referred to the difficulties experienced by Indian merchants for sending cotton piecegoods to Madagascar. In this connection they referred to the discrimination observed against the Indian exporters in favour of the French Committee of National Liberation and urged upon the authorities to consider the gravity of the situation and give help and protection to Indian exporters in continuing their *bona fide* trade with Madagascar in a satisfactory manner.

### Exports to Singapore

In their communication dated 24th November addressed to the Government of India, the Committee referred to enquiries from merchants regarding the resumption of trade between India and Malaya, and Singapore in particular and desired to know when the normal trade machinery will be permitted to function and parties previously exporting goods from India to Singapore would be entitled to all the facilities for the resumption of trade with that country.

### Export of Printing Types Abroad

As published in the Report of the Chamber for 1944 the Committee were in correspondence with the Deputy Director of the American and Panel Imports, Calcutta, in connection with the restrictions on the export of printing types to Dar-e-Salam and Middle East countries. In this connection the Committee re-emphasised that if the conditions governing the exports of types were to continue, the same would affect the overseas trade in the com-

modity. They, therefore, requested the authorities to relax the restrictions with a view to enable exporters of printing types to meet the requirements of their overseas buyers.

## Export of Magnesium Chloride to U. K.

At the instance of the Pioneer Magnesia Works, Bombay, the Committee addressed a communication on 24th May to the Department of Commerce in which they referred to the particular position of the manufacture of Magnesium Chloride as it was during the last war and the progress it made during the present war. In particular, they referred to the import duty of £1 per ton or 25% *ad valorem* imposed by the Government of U. K. in 1931 as a measure of protection to this industry.

During the present war because of shipping difficulties export of Magnesium Chloride had practically stopped to U. K. In view, however, of the changed situation, the Committee requested the authorities to represent to the authorities in U. K. to review the whole position and remove the restrictions on the import of Magnesium Chloride to U. K.

Government in their reply dated 22nd August informed the Committee that already licences had been issued for importation of 120 tons of Magnesium Chloride from India into U. K. and that further facilities would be granted to exporters from India subject to the essentiality of the chemical in the U. K.

## Export of Cardamoms

As published in the Report of the Chamber for 1944, the Committee had addressed a letter to the Export Trade Controller to relax the restrictions on the export of cardamoms. Government in their letter dated 20th December informed the Committee that in addition to the usual quota, export of 500 tons of cardamoms would be permitted during the period January to March in order to relieve the situation, and added that out of this quantity, 250 tons would be licensed for export by established shippers to all permissible destinations and the remaining 250 tons would be licensed in January 1945. Instructions regarding this arrangement, it was understood, had already been issued to the Export Trade Controller at Madras and Bombay.

## Export of Ginger from Bombay to U. S. A.

The Committee in their communication dated 23rd March addressed the Department of Finance, Government of Bombay and referred to the restrictions on the export of Ginger from the port of Bombay to U. S. A., and desired to know whether the stocks accumulated in the province as a result of restrictions on the export from the port of Bombay were necessary for the requirements of the province. The Committee observed in this connection that export of ginger from Cochin port was being allowed and the same facility be given to merchants to export Ginger from this port.

Government in their letter dated 17th May observed that most of the Ginger supply in Bombay was imported from the Malabar coast and having regard to the need for economy in transport and housing difficulties, they were unable to agree to the request made by the Chamber.

The Committee in a further communication dated 1st June re-emphasised the point mentioned by them in their previous correspondence and observed that Ginger stock in Bombay exceeded more than 15,000 bags and that the whole stock was not suitable for consumption in the country. Moreover, the particular type of Ginger in stock was likely to be attacked by weevil and would become useless for consumption. They, therefore, requested that orders might be issued to enable exporters to export the article to U. S. A.

Government in their reply dated 5th June stated that there was no justification on the part of the trade to build up large stocks in face of Government restriction on the export of the same from Bombay. It was, however, added that the question of grant of export permits in limited quantities would be considered if the Government of India so directed.

## Export of Black Pepper

At the instance of the Pepper and Ginger Merchants' Association, the Committee addressed a letter to the Department of Food on 16th May and referred to the restrictions on the export of black pepper. It was pointed out that Government had recently

stopped purchases of black pepper for export purposes for the requirements of the allied Governments, with the result that excessive stocks were being accumulated causing a heavy slump in the prices and at the same time doing considerable harm both to the growers of pepper and the trade concerned. The Committee, therefore, requested that having regard to the points mentioned above, Government would allow export of black pepper to the extent to which such exports were possible keeping in view the internal demands of the country.

## Export of Hand-Picked Selected Groundnut Kernels from Bombay

In their communication dated 11th December addressed to the Government of India, the Committee drew attention that before the war regular export trade in h.p.s. groundnut kernels was allowed from Bombay to the U. K. and other countries in the Empire. Since the beginning of the war, however, the Ministry of Food, London, was empowered to make purchases of the same only through recognized buyers of such groundnuts for import into U. K., etc. The Committee in this connection regretted that since some time the Ministry was confining its purchases to one London firm only who in turn bought through their own agency in Bombay. The present procedure was tantamount to giving a privileged position to a single party, thus disturbing the normal channels of trade. It was, therefore, urged that necessary steps should be taken to allow the normal channels of trade to function in the purchase of groundnuts.

## Extension of the Time of Validity of Export Quotas of Pulses to Ceylon

In their communication addressed to the Government of India, Food Department, the Committee referred to the grievances of the Bombay Ceylon and Overseas Exporters' Association regarding insufficient time allowed for completing exports to Ceylon in respect of quotas granted for pulses. Attention was drawn to the Food Department's instructions to the Export Trade Controller for issue of licences for the balance of the quantities available under the export allotment upto 31st December 1945 and that

unshipped balance of quotas outstanding on 1st January 1946 might be deemed as having lapsed. The Committee requested that the above procedure of treating validity of quotas upto the end of the year would put the exporters in great difficulties as they would be unable to complete the arrangements for export by that time. It was requested that validation should be extended upto 15th March 1946, i.e. upto 4 months from the issue of licences as was previously the practice.

### Permit for Export of Gift Parcels

In their communication dated 28th September addressed to the Export Trade Controller, the Committee referred to the concession given by Government whereunder the Fighting Forces and Services were allowed to send gift parcels abroad to their friends and relatives. In this connection they drew the attention to the case of the Excelsior Trading Co., Bombay, who were not able to take orders for sending such gift parcels on behalf of the military personnel who were entitled to send such parcels. This refusal on the part of the Export Department to accept such gift parcels was on account of a technical difficulty as the concession of sending such gift parcels was not applicable to firms. Committee, therefore, suggested that the Export Trade Controller should not insist upon applications from individuals for such parcels but should allow reputable firms to send them on behalf of their clients, both Defence personnel and civilians, also. It was, however, stressed that the goods allowed to be sent by such parcels should be in surplus supply in the country and should be only non-food articles.

The Controller in his reply informed the Committee that there was no objection to firms sending gift parcels abroad on behalf of their clients provided the customers applied for permits for such despatch under the existing rules.

### Export of Piecegoods and Yarn to Palestine, through Purchasers' Agents in India

In their communication dated 13th July addressed to the Government of India, the Committee referred to the recent practice followed by importing countries appointing their own agents in

India for the purpose of purchasing goods for export to their country and drew attention to the fact that at the instance of the Palestine Government two agents of the two Palestine Importers' Associations were functioning in India for the purpose of effecting purchases of goods covered by the export quotas of the Indian exporters. The Committee stated that while they had no objection to individual foreign importing firms appointing their agents for such purchases they would strongly protest against the importing foreign countries taking a hand in canalising the work of importation of goods into their countries, as thereby a system of monopoly was being introduced to the detriment of the Indian exporters. The Committee also referred to the existing Government policy of continuance of the normal channels of trade which should not be disturbed by foreign Governments canalising their purchases.

**Facility for the Export of Steel Security Equipment**

In their communication dated 17th April addressed to the Government of India the Committee referred to the representation made to Government by Messrs. Godrej Boyce Mfg. Co. Ltd., regarding the removal of restrictions on export of steel security equipment to foreign countries. The Committee also referred to the reply of Government to the effect that although they were not in a position to formulate their export policy at this stage, they would relax in some measure the present restriction after the war taking into consideration circumstances then prevailing. The Committee emphasised that it was the duty of the Government to forthwith assure such industrial concerns that every facility would be given in the development and expansion of India's manufacturing and trading activities in the post-war period.

Reference was also made to the Government permission for the import of Metal furniture and fabricated steel equipment from U. K. under General Licence and it was suggested that such imports should be allowed into the country only to the extent of the deficiency of the supplies of indigenous manufactured articles. The Committee also requested that Government should broaden the basis of issuing licences for imports of engineering goods for which there was a great demand. It was also urged that transport facilities should be provided to industrial concerns to carry raw materials needed by them for the factories and that different

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kinds of steels in larger quantities should be provided for fabrication. It was also suggested that Messrs. Godrej should be allowed to distribute larger percentage of their products for civilian needs than they were allowed at present.

### Export of Indian-made Medicines and Medicinal Preparations

The Committee in their communication dated 25th September addressed to the Chief Controller of Exports referred to the export control of Indian-made medicines and medicinal preparations and requested Government to examine the requirements of the country with regard to such preparations and allow export of the same if found in surplus in the country. Such a step on the part of Government would help the indigenous industry in establishing itself in foreign markets.

Government in their reply dated 31st October informed the Committee that the question of liberalising the export control on such medicines and medicinal preparations was under consideration by the Government of India.

### Restriction on the Export of Printed Material

In their communication dated 18th June addressed to the Government of India, the Committee drew attention to the practice on the part of post offices of refusing packet posts containing catalogues meant for overseas, even though there were no specific restrictions imposed on exports by post of such printed material. They, therefore, requested Government to issue instructions to the postal authorities to accept such material for export including type catalogues. Government in their reply dated 17th September stated that such export was restricted and catalogues were not allowed to be exported freely. It was, however, stated that those having no basic quota for such exports could apply to the Chief Controller of Exports, when quotas for reasonable quantities would be given according to the merits of each case.

### Information re : Export Permits for Wool from Karachi

At the instance of the Bombay Wool Merchants' Association, the Committee addressed a communication to the Chief Controller of Exports, New Delhi, pointing out that certain orders relating to the exports of wool were made available only to the

exporters of wool from Karachi while such information was not made available to exporters of wool from the port of Bombay, as a result of which great inconvenience was caused to the Bombay merchants. They, therefore, requested that steps be taken to circulate the information to all chief exporting ports so as to minimise the difficulties that might be experienced by merchants other than those from the port of Karachi.

### Grant of Export Quotas to Burma

In their communication dated 14th November addressed to the Export Trade Controller, Bombay, the Committee referred to the case of Messrs. Keshavlal Nemchand, Ahmedabad, who were refused allocation of piecegoods export quota for Burma on the ground that actual exports were not made by them but by the agent of the importing parties in Burma. The position in case of the company was that the importing parties in Burma placed their orders with Messrs. Keshavlal Nemchand, who sent the goods from Ahmedabad to Bombay consigned to the agent of the importing parties, who in turn shipped the goods to Burma in his own name. It was contended that the agent was only a clearing and forwarding agency working on behalf of the importing parties in Burma and that the actual exporter was the Ahmedabad firm. The Committee requested the Export Trade Controller to do justice to the aggrieved party and allocate to them the export quota now standing in the name of the Agent.

### Despatch of Printed Matter by Book-Post to Foreign Countries

In their letter dated 31st May, addressed to the Post Master General, Bombay, the Committee referred to the position governing the restrictions on despatch of printed matter by book-post to foreign countries. They pointed out that as far as they were aware it was not necessary to have an export permit for the despatch of catalogues, circulars, price-lists, etc. out of India. The subordinate staff, however, were insisting on such a permit as a prerequisite to accept such printed matter. The Committee, therefore, requested the P.M.G. to issue clear instructions to all the post-offices explaining that the existing restrictions relating to export of printed matter did not apply to catalogues of any kind, circulars and price-lists including type-catalogues.

## Paper Control Economy Order

At the instance of Messrs. Eastern Electric and Engineering Company, the Committee addressed a letter to the Paper Controller inviting his attention to the difficulties which merchants and businessmen were experiencing as a result of the provisions of the Paper Control Economy Order. It was pointed out to him that under the Hoarding and Profiteering Prevention Ordinance stockists were required to print price-lists, etc., for which sufficient amount of paper would be required, and urged that the restrictions be relaxed in such cases with a view to enable merchants to comply with the requirements of the Hoarding and Profiteering Prevention Ordinance.

## Relaxation in the Provision of the Paper Control (Economy) Order, 1944

In their communication dated 21st June addressed to the Government of India the Committee referred to the recent amendment to the Paper Control (Economy) Order, under which provision for one-page-a-day was allowed in case of Pocket Diaries. The Committee suggested that a like provision should be made in the case of Table and Desk Diaries as well.

Government in their reply dated 6th September informed the Committee that the permissible rate of calendar covering 12 months had been raised from 2 ozs. to 4 ozs. while the number of dates that should be printed on a page for a table diary had been reduced to 2. It was stated that no further relaxation was possible.

## Withdrawal of the Paper Control (Economy) Order, 1944.

In their telegram dated 5th September addressed to Government of India, the Committee emphasised that in view of the changed conditions due to the end of the war, of bigger mill production, lower Government consumption, sufficient stocks and acceptance of large import orders by foreign suppliers of paper, the Paper Control (Economy) Order, 1944, should be abolished.

Government in their reply dated 12th September stated that the supply position had not improved to any considerable

extent justifying the removal of the control. They, however, assured the Committee that every possible relaxation in the provisions of the Order would be made as and when possible.

### Restrictions on the use of Over-size Letter-heads under the Paper Control (Economy) Order, 1944

In their communication dated 7th September addressed to the Government of India, the Committee drew attention to the prohibition of using over-size letter-heads printed before the Paper Control (Economy) Order came into operation and stated that such prohibition would lead to further waste of paper by the necessity of printing smaller letter-heads prescribed under the rules. They cited the case of Messrs. Excelsior Trading Co., who were given permission to use such over-size letter-heads by the Provincial Paper Controller, Bombay, while the Central Government refused such permission. They stated that this lack of co-ordination amongst the Provincial and Central Departments was acting as a hardship on the commercial community and requested Government, under the circumstances, to give permission to allow the use of over-size letter-heads without time limit.

### Distribution of Supplies of Paper imported by Government for non-Government Civilian Consumption

It was represented to the Committee that Government had on their own account imported from North America certain quantities of paper intended for distribution for non-Government civil consumption and that Government had appointed one firm as their agents for the purpose of storage and distribution of the same. The Committee thereupon in their communication dated 12th November addressed to the Government of India stated that in the first instance Government should have given additional licences to the trade interests concerned for importing those supplies directly on their own account and thus allow the trade to be carried on through normal trade channels. Committee objected to Government having given a sole monopoly for storage and distribution of such supplies to one single party, which had created difficulties for the general trade interests concerned. They also felt that such distribution should have been left in the hands of the Paper Traders' Association which represented the trade col-

lectively. It was urged that in future Government should entrust such work of distribution in the hands of the said Association.

## Use of Newsprint

At the instance of the Bombay Press-owners' Association, the Committee addressed a letter on 8th May to the Department of Industries and Civil Supplies bringing to the notice of the authorities the difficulties experienced by the Bombay Press-owners as a result of the existing restrictions on the use of newsprint. The Committee pointed out that in view of the comfortable position of newsprint certain relaxations in the existing restrictions might be made with a view to enable the Press-owners to get more quota of newsprint for their requirements.

## Difficulties under the Iron and Steel Control Order

In their communication dated 25th September addressed to the Dy. Iron and Steel Controller, Bombay, the Committee referred to the complaint of the members of the Null Bazar Hardware, Paint and Cement Merchants' Association that even though their dealings in iron and steel were considerable in pre-war times, the unregistered stockholders of their Association were debarred from obtaining quotas of iron and steel which Government gave only to the stockholders who had registered themselves under the Iron and Steel Control Order as holding stocks at the time the Iron and Steel Merchants were asked to declare their stocks and register themselves. Further, on the termination of hostilities the registered stockholders were permitted to carry on business *inter se* to any limits besides their normal dealings with the consumer. The unregistered stockholders of the Association were accordingly not allowed to take advantage of the further relaxation as their names were not included in the list of registered stockholders. Committee urged Government to consider the difficulties of these unregistered stockholders as their grievances were genuine in the sense that such members were not on the list having had no stocks to declare at the time of the Control operation and consequently they did not appear on the list. They requested Government to take their case into consideration and relax the provisions of the Order whereby such unregistered stockholders would be enabled to take advantage of such relaxation in the Order.

**Release of Steel and Cement for Civilian Building Requirements**

On 20th September, the Committee addressed the Government of India drawing their attention to the serious shortage of accommodation in urban areas both in regard to business premises and residential housing, as a result of the embargo on all building activities on civilian account. It was stressed that as the war has now ended, Government should immediately apply their attention to remove this serious difficulty of shortage of accommodation and remove all controls on building activities for civilian requirements. Particular stress was laid on steel and cement which were the two items necessary in the building operations. A request was made that such should be made immediately available freely to the public. It was suggested that as the prices of steel and cement had gone up many times during the war, railway freight on these articles should be reduced to make possible economic rates to the consumers of these articles.

Government in their reply dated 29th November, informed the Committee that control on cement had already been relaxed and it could be had without permit from local stockists upto a certain quantity. With regard to steel, limits for unlicensed sale had been increased, and licensing had been de-centralised so that persons willing to acquire steel might secure the same from different Steel Controllers in their provinces.

**Release of Steel for Purposes of Civil Requirements**

In their letter dated 16th August addressed to the Government of India, the Committee stressed that the existing restrictions imposed under Steel control should be removed and that as supply position was improving, the trade channels should be allowed to function freely with regard to steel trade in the interests of equitable distribution. They requested that pending withdrawal of Steel Control Order, arrangements should be made for making available steel for building purposes in the Bombay province. They also stressed that a special officer should be appointed in Bombay who would scrutinise the applications for licences to secure steel as the present procedure of approaching Calcutta for such licences involved great delays. In view of the enormous war effort to the credit of Bombay, the city deserved more consideration with regard to the release of steel for civil requirements.

Government in their reply dated 28th August informed the Committee that the question of relaxing the Control of Iron and Steel and making increased quantities available for civil consumption was under the consideration of the Government of India.

### Supply of Steel for Civilian Industrial Requirements

In their communication dated 14th July addressed to the Government of India, the Committee referred to the diminution of steel supplies given to industrial firms such as Messrs. Godrej & Boyce Manufacturing Co., Ltd. It was stated that Government had reduced the quota of such supplies consequent upon the reduction in war orders. The Committee felt that such a drastic reduction in supplies of steel would result in throwing labour engaged in such industries out of work. They requested that Government should supply adequate quantity of steel to enable the industries to switch over from war work to supplying civilian requirements, as otherwise trained workmen would be thrown out of work which would result in great disorganization of the industry.

### Compensation for Supply of Copper Tubes requisitioned by Government from Messrs. Garlick and Company, Bombay

The Committee in their letter dated 28th November addressed to the Government of India referred to the case of Messrs. Garlick and Company, Bombay, who claimed adequate compensation for supplies of copper tubes requisitioned by Government, stating that the compensation already agreed to by Government in the matter did not include any margin for charges incurred on account of other incidental charges by them. It was contended that the party was reasonably entitled to be paid all the incidental expenses in regard to the supplies as also a margin representing the interest and profit on their outlay.

### Sale of Watches and Clocks through Fair-Price Shops

In their communication dated 4th August addressed to the Government of India, the Committee drew attention to the injustice caused to the importers and dealers in watches and clocks by Government requiring such importers to allot quotas from their imports of watches and clocks for sale through the fair-price

shops. They stated that the original scheme of fair-price shops did not include the sale of clocks and watches. They felt that as under the existing Control arrangements importers and dealers had limited supplies of clocks and watches it was unfair that Government should require them to part with a certain percentage of the supplies for being sold through the fair-price shops. Under the present limited turnover the diversion of a portion of the supplies to fair-price shops would take away a certain amount of profit margin from the share of the regular channels. Besides they also felt that the requirements of Government as above stated was not in accordance with their policy of keeping the normal channels of trade functioning. It was urged that importers should not be obliged to earmark a portion of their imports for distribution to the fair-price shops.

## V. GENERAL

### Ratification of the United Nations Charter by the Government of India

The Committee in their telegram dated 24th October drew attention to the popular demand that Government should send as representatives of the country to International Conferences, Indian leaders who enjoyed the confidence and respect of the people and that any agreement or arrangement arrived at at such gatherings should not be confirmed or ratified without the concurrence of the Central Legislature. They pointed out in this connection that Government had again flouted public opinion by their ratification of the United Nations Charter presuming consent of the Indian Legislature which had been dissolved at the time of the ratification. It was emphasised that if the Government of India had desired confirmation of the Legislature they could have called a special session and got their confirmation. Under the shadow of this Charter the people of Indonesia seeking their independence from foreign yoke were being suppressed by making use of Indian troops. Such action was not in conformity with the objects of the Charter which the Indian people were compelled to accept by the Government which did not represent the people.

### Indian Delegation to San Francisco Conference

The Committee in their telegram dated 13th March referred to the forthcoming International Conference at 'Frisco which was to be held for discussing the preservation and promotion of world security in the future and emphasised that any Delegation which would attend the Conference would be such as would enjoy the confidence of the people of this country and thus assist in the deliberations of achieving the goal of the Conference to build up a World Security Organization. The Committee observed that the Delegation forming irresponsible, unrepresentative and non-national Government could never reflect the national aspirations and national demands of a country at an International gethering and they were grieved to observe that despite several protests in the past against the appointment of such non-national representations at international gatherings, Government should have again persisted in sending the representatives of Government which

had only recently sustained over half-a-dozen defeats in the Legislative Assembly on various cut-motions.

### Disposal of Capital Equipment in the U. S. A.

In their communication dated 20th November addressed to the Federation of Indian Chambers of Commerce and Industry, the Committee gave their approval to the Government proposal of a deputation of industrialists being sent to the U. S. A. for the purpose of selection and purchase of goods from the surplus stores available there. It was, however, suggested that the delegation should have a good secretariat including assistance of technical men with practical experience of industry which should continue to function even after the delegation returned to India in order to enable the industrialists in India to have fuller reports and detailed information of such surplus stores intended for disposal.

### Naturalisation Rights to Indians in U. S. A.

It may be recalled that the Committee of the Chamber had addressed a letter to the Commonwealth Relations Department, Government of India, on the question of acquiring citizenship rights to Indians in U. S. A. The Committee re-emphasised the same aspect again in their letter dated 16th January 1945 requesting the Government of India to energetically move in the matter with a view to create public opinion in America in favour of enacting a Bill so as to secure citizenship rights to Indians in America on the same basis as were granted to Chinese citizens.

### Use of Indian Army in Indonesia

The Committee in their telegram dated 24th October 1945 addressed to His Excellency the Viceroy referred to the use of Indian troops in action against the nationals of countries like Indo-China, and Indonesia, recently liberated from enemy occupation and urged that Indian troops should not be sent out of the country for fighting against the nationals of other countries.

### Non-Indian Ex-Prisoners of War in the Country

In their telegram dated 14th September addressed to the Government of India, reference was made to the undertaking of the Government of India for the housing and entertainment of non-

Indian ex-prisoners of war and civilian internees in India, the first batch of which people was shortly expected in the country. In view of the past sufferings of the people of the country and inadequacy of essential requirements of the people imposed upon the country as a result of war-time conditions, Committee felt that Government of India should not invite such a burden on their resources, which should now be put wholly at the disposal of the suffering public.

Government in their reply dated 28th September informed the Committee that all fit non-Indian releases would be directed to their own countries, except in cases of invalids who required to stay in hospitals for some time before taking a long voyage, their relatives and those whose wives were in India. The entire expenditure of non-Indian internees was to be borne by the Governments of their respective countries.

### Employment of German and other Continental Technical Personnel in Indian Industries

The Federation of Indian Chambers of Commerce and Industry informed the Committee that industrial concerns employing in pre-war years German and Italian technicians in their factories who wished to continue their services should be advised to approach the Government of India in the matter, as Government had decided that all civilian enemy foreigners in India who were kept in detention before the war would be compulsorily repatriated. This information was circulated amongst the members of the Chamber.

### Demobilization of Indians serving Overseas

In their communication dated 16th January addressed to the Department of Commonwealth Relations, the Committee suggested that Indian Nationals now serving in overseas countries should be given citizenship rights if they were required to work, in overseas countries after the war, and that in the absence of such a provision being made, the Indian Labour serving overseas should be brought to this country and demobilised.

### Recruitment abroad for Indian Service Personnel

In their communication dated 2nd August addressed to the Government of India, the Committee drew attention to a press

news item to the effect that the Indian and Burmese Governments were inviting recruits for the two important services, viz. civil service and police from foreign sources especially from Canada. Appeal was being made also through the office of the Shipping Master of the Local Port particularly to Canadian merchant seamen. The Committee stated that while on the one hand Government encouraged the policy of increasing the percentage of Indians in both these services, on the other hand such announcements were tantamount to sabotaging the accepted policy of the Government of India. This was directly in contravention of the Government policy of progressive independence which they had in view with regard to India. Government should be well apprised of the feelings of the Indian people against recruitment of colonials in any service in this country especially in view of the unjust treatment meted out to Indians in other colonies. It was urged that the campaign started in Canada would be immediately stopped and the personnel of the services be recruited from the country itself.

## Re-entry of Indian Merchants into Ethiopia

In their communication dated 13th November addressed to the Government of India, the Committee drew attention to the hardships and difficulties experienced by the Indian traders in securing re-entry into Abyssinia and Eritrea. The Committee also drew attention to the correspondence which they had with Government in the year 1943 on the subject, as a result of which some Indian traders were able to secure entry permits for Abyssinia. The Committee, however, stressed that as the war was now over many traders who were before the war established in Abyssinia were eager to return with their staff and office personnel. It was urged that Government should approach the Government of Ethiopia on the subject of free entry into the country. If that was not possible at least Government should try on behalf of the Indian traders for the issue of free permits from Ethiopian Government to enter the country of adoption of a considerable number of Indian traders who when the war broke out had to leave the country leaving behind them their properties and even cash.

## Facilities to Trade with Burma

The Committee in their telegram dated 7th February referred to the press-reports that several British firms and business houses were given facilities by His Majesty's Government to proceed to liberated parts of Burma and that some of these firms had actually re-started their business activities there, while no such facilities were accorded to Indians who had their business connections before Burma was occupied by the enemy. The Committee, in this connection, pointed out that if Indians wanted to proceed to Burma, they were required to apply to the South-East Asia Command and not to the Government of India for securing such facilities as were afforded to British firms and houses. This, the Committee observed, would place Indians in a very difficult position and suggested that immediate steps be taken to safeguard the present and future interests of Indians in Burma and assure them by an immediate announcement of Government policy as to how the authorities propose to act in this matter and what facilities were proposed to be given to Indians to return to liberated parts of Burma.

## Proposed Procedure announced by the Government of Burma for Registration of Indians desiring to return to Burma

The Committee in their telegram dated 17th May referred to the procedure announced by the Government of Burma in connection with the registration of Indians desiring to return to Burma and protested against the particular form of application for registration of firms or companies carrying on business in Burma on 7th December 1941. In this connection they referred to the interview which Mr. M. A. Master, President of the Chamber, had with the Hon'ble Dr. Khare, Member for Commonwealth Relations and the discussion that took place between them in connection with the particulars to be filled in as suggested in the form, and appealed to the authorities to clarify the position in regard to the procedure to be observed by Indians to proceed to Burma who they felt ought to be given the same rights as were enjoyed by the Britishers domiciled in U.K.

In a further telegraphic communication dated 30th May, the Committee referred to the same aspect and pointed out that the Secretary, Government of Burma, had addressed a communication

to the Burma Indian Chamber of Commerce, Bombay, wherein it was suggested that the information desired by the Government of Burma was not required by military authorities. They also pointed out that representatives of British interests were already allowed to proceed to Burma and suggested that Indians desiring to proceed to Burma would be prepared to fulfil any such technical procedure as was fulfilled by British interests. The Committee further referred to the negotiations that were being carried on between the Government of India and the Government of Burma in connection with the immigration question and pleaded that the authorities should not take any decision either regarding immigration or trade without consulting Indian commercial interests.

In regard to the question of exports of rice from Burma, the Committee observed that attempts were being made for controlling export of rice from Burma when available next year, and that the services of the U.K.C.C. and ships of the British Ministry of War Transport would be harnessed to achieve that object. This, the Committee felt, would adversely affect Indian trade and shipping and requested the Government to assure them (the Committee) that Indian interests would be protected by the Government of India.

**Entry of Indians into Territories in Burma under Military Occupation**

In their telegram dated 30th April 1945 addressed to the Hon'ble Member, Government of India, Commonwealth Relations Department, the Committee referred to the statement made in reply by Mr. Banerjee, Secretary of the Commonwealth Relations Department in the Council of State to the effect that those persons authorised to enter Burma were being advised to register their particulars with the Government of Burma. In the first instance, the Committee expressed surprise that such registration should be made with the Government of Burma. The Committee also desired to know what was the significance of the word "authorized" qualifying the word "persons". It was felt that all Indians had a right to proceed to Burma and look upon the Government of India for protection of their rights as Indians. The Committee also drew attention to the fact that no Indian firms were approached to spare their men to proceed to Burma as employees to join the Civil Affairs Services as mentioned by Mr. Banerjee.

The Committee maintained that Indians should also be given opportunities to join the Civil Affairs Services in Burma, as like opportunity had been given to Britishers to do so. The Committee desired to know the policy of Government with regard to the participation of Indians in Civil Affairs Service.

**Proposed arrangement for sending back Burma Evacuees in India**

The Committee in their telegram dated 17th October addressed to the Government of India drew attention to the proposed arrangement to send back Burma evacuees at the rate of 12,100 per month from February next. The Committee objected to the slow process of sending back those Indians who had vital stakes in Burma. It was pointed out that even if the passenger steamers on the Indian Registers could be utilised for this purpose, Government would be able to repatriate this large number within a period of six months. Committee expressed dissatisfaction at the arrangement for giving priority for sweepers and such other personnel to go to Burma while trained Indian staffs would be allowed to proceed to Burma only if such staff could not be recruited there and only if they could secure permits from the Government of Burma for entry into Burma. They felt aggrieved that such trained staff of British domicile should have received favourable consideration for entry into Burma, while for Indians strict conditions were laid down for entry. Reference was made to the arrangement whereby a composite unit located in London would carry on the business of insurance and look after insurance interests on which body Indian interests had no representation. It was urged that the Government of India should ensure the return of all evacuees immediately to Burma and take steps that no policy of discrimination was allowed to be put into force against the staffs of Indian domicile required to replace previous staff. Reference was also made to the refusal of the Government of India to grant permits to Rice Traders who had important stakes in Burma. Government were also cautioned not to conclude any Immigration Agreement with the Government of Burma without the consent of the Indian people.

**Claims in Respect of Property Lost in Burma**

The Committee in their communication dated 28th September addressed to the Government of India referred to the claims regis-

tered by Indian merchants and Burma Indian evacuees in respect of property destroyed or abandoned by them in Burma at the time of the enemy occupation of that country. It was stated that such claims were lodged by the claimants directly with the Government of Burma or through the various Chambers of Commerce or the Central Evacuees Committee. As the war had now ended and the civil administration was being set up in Burma early in October, it was the bounden duty of the authorities concerned to immediately go through these claims and take steps to make payments for the same. It was urged upon Government to make early arrangements for the return of the evacuees to Burma and to give them facilities for re-establishing themselves in the economy of that country. Government in their reply dated 30th November enclosed a copy of the press note issued by the Government of Burma in this connection to the effect that there was still no change in the situation regarding the return of evacuees, as the greater part of the secretariat had not yet left Simla and the Government of Burma had not been fully constituted in Rangoon to take up the question referred to by the Committee.

### Burma Rice Trade and Interests of Indian Merchants

In their telegram dated 13th June addressed to the Government of India the Committee drew attention to the information regarding certain proposals sponsored by the present Government of Burma to the effect that it was now proposed to form an Agricultural Project Board which body would be entrusted with the work of purchasing all the surplus rice available in Burma and that such supplies would be sold by the Board to the British Ministry of Food, etc. Under this arrangement the Food Department of the Government of India was expected to negotiate with the Ministry of Food for the requirement of Burma rice for India. The arrangement was to last at least for a period of two years after the Civil Government in Burma began to function. The Committee felt that this proposed arrangement was nothing short of attempting to deprive Indian merchants and traders of their business long established in the rice trade with Burma which they had built up and developed after years of efforts and toil. It was urged that the rights and privileges of merchants in Burma rice trade be adequately safeguarded.

## Official Purchasing Agency in India for procurement of Goods for Civilian requirements in Burma

In their telegraphic communication dated 25th July addressed to the Government of India, the Committee referred to the decision of the Burma Government to establish their own purchasing agency in India for the procurement of essential supplies required for the civil population in Burma from the time Civil Government began to function there. This, the Committee felt, was a serious inroad on the rights of Indian merchants who in the past exported goods to Burma. While the Committee were thankful to the Government of India for taking steps for removing the outside purchasing agencies such as the U.K.C.C., the Middle East Supply Centre and the purchasing agencies of other foreign governments, they were of opinion that Government should take a firm attitude in not allowing any fresh agency to be established in the country for purchasing civilian requirements of Burma. It was urged that Government should immediately make suitable representations to the Burma Government and make arrangements for the functioning of normal channels of trade whereby the rights of established Indian exporters to Burma would not be disturbed.

## Supply of Civil Requirements in Burma

In their communication dated 30th October addressed to the Government of India, the Committee drew attention to the appointment as special agents of certain importing firms for specific items of import by the Civil Supplies Board, Government of Burma. For each of the items a particular firm was selected as special agent. The items for which such special agents were appointed were tinned milk, sugar, soap, matches and cigarettes. The Committee contended that the arrangement threw out of business many other manufacturers, equally important in the above lines, whose products also were enjoying a wide market in Burma in the pre-war period. The Committee further contended that the appointment of the special agents would lead to preference being given to the articles in which such agents were themselves interested. It was urged that Government should look into the scheme adumbrated by the Government of Burma and see that the objectionable features might be removed.

Government in their reply dated 27th November enclosed a copy of the Press Note issued by the Government of Burma on the subject to the effect that the various organisations of Burma Indians had been consulted before the scheme was finalised. It was stated in the Press Note that the scheme was a temporary one and was not likely to last for more than 9 months. Government of India in their reply observed that under the circumstances it was not found necessary to make representations to the Government of Burma in the matter.

## Proposed Mobile Exhibition to Iraq and Iran

The Department of Information and Broadcasting, Government of India, informed the Committee in their communication dated October 10th that it was proposed to send a mobile exhibition to tour important towns in Iraq and Iran next year. The object of the exhibition was to present to the people of those countries an all-round picture of modern India including such aspects as cultural, artistic, industrial, engineering and such other important achievements of India. Government desired the co-operation of the Chamber in this proposed project. Committee accordingly sent a circular letter to the Members of the Chamber requesting those interested to communicate to the Department concerned. They also addressed the Government of India on 11th December pointing out that representatives of trade, commerce and industry should be actively associated with the planning and organization of such a project. It was also suggested that Government should constitute an Advisory Committee consisting of representatives of the important commercial and industrial organizations who should be consulted from time to time with regard to the scope and plan of the project.

## Stabilisation of Prices of Agricultural Products

The Committee had received a communication from the Department of Reconstruction, Government of Bombay, inviting suggestions on the questionnaire issued by the Department of Education, Health and Lands, Government of India, on the question of stabilisation of prices of agricultural products. The Committee, in this connection, referred to the various aspects involved in the question of the stabilisation of prices and expressed the view that before Government could devise a machinery to

stabilise agricultural prices, they would have to draw up a carefully thought-out plan for the production of all agricultural products from year to year and added that unless schemes for the rapid industrialisation of India were put into effect at an early date, enormous load on land that existed would not be removed, and therefore any scheme devised with a view to stabilise agricultural prices would not become successful.

Under the existing devolution of powers, agriculture and matters relating thereto were Provincial subjects and unless the co-operation of all the provinces including the Native States was obtained, the Committee expressed apprehension that the scheme would not be successful.

In conclusion, they observed that it was quite imperative that a National Government responsible to the people alone could determine satisfactorily all problems connected with the stabilisation of prices of agricultural products in the post-war period.

### Questionnaire issued by the Marketing Committee re: Improvement of Agricultural Marketing in India

In their communication addressed to the Marketing Committee re: improvement of agricultural marketing in India, the Committee explained that the Government agencies concerned should endeavour to collect preliminary factual data regarding the existing facilities in various markets, market functionaries, transport, etc. and consult public opinion on such actual data collected. Regarding the proposal for the establishment of licensed warehouses to facilitate agricultural marketing, the Committee expressed approval of the proposals. They also approved of the control that Government would exercise on the management of such warehouses. They, however, stated that private parties should not be debarred from maintaining warehouses as at present, provided the receipts issued by such private warehouses were not made transferable by endorsement.

### Interview with the Hon'ble Sir Jwala Prasad Srivastava, Food Member, Government of India

On 17th August the Committee had an interview with the Hon'ble Sir Jwala Prasad Srivastava, Member for Food, Government of India, when various problems relating to food production, supply, etc. were discussed.

## Scheme for handling and Storage of Grains on behalf of Government

In their telegram dated 13th June addressed to the Food Member of the Government of India, the Committee referred to the applications invited by Government for appointment as agents for financing and operating scheme for the storage of foodgrains and made a suggestion that the scheme formulated by the Grain Merchants' Association, Bombay, in this connection should be favourably considered. The chief feature of the scheme of the Grain Merchants' Association was that the work should be entrusted to a Syndicate to be formed for the purpose, composed of all the members of the two Associations which would look after the handling and distribution of foodgrains.

## Distribution of Foodgrains

The Committee addressed a communication dated 24th March to the Department of Finance (Supply), Government of Bombay, in connection with the question of distribution of foodgrains and emphasised that the distribution and handling of the supplies after they were procured by the authorities could with advantage be entrusted to trade machinery and added that the services of the wholesale dealers would be of great assistance and benefit in that sphere. In this connection they referred to the practice that was being followed in Great Britain and suggested that the trade channels knew the intricacies of the distribution aspect of foodstuffs and as such they could profitably be employed to the advantage of the people at large. They requested therefore that the handling and distribution of foodgrains and other cereals should be entrusted to the normal channels of trade without detriment to the arrangement and scheme governing the practice of procurement as it was in operation, at the present time.

Government in their reply dated 22nd May stated that after consultation with the Standing Committee of the Food Advisory Council, they felt that the existing arrangements be not disturbed for the present.

## Price Control of Gram Products and Control on the Movement of same out of Panch Mahals

At the instance of the Navjivan Roller Flour and Pulse Mills, the Committee in their communication dated 7th December

addressed to the Government of Bombay referred to the ban on the movement of gram products outside the district limits and desired to know the reason for such prohibition in spite of the fact that only 7 per cent of the total output of gram products was required for the internal demand in the district. Reference was also made to the fixing of prices of such products by the district authorities which did not include the cost of production, shortage, shrinkage, cost of gunnies, manufacturing cost and other incidental charges. It was contended that a fair margin of profit should be left to the manufacturer while fixing the prices of such products. The Committee urged Government to look into the case of the Flour Mills and remove their grievances.

### Import of Deccan Gur into Gujerat

In their communication dated 18th May addressed to the Government of Bombay the Committee referred to the lifting of restrictions on exports of gur from Ahmednagar and Satara Districts conditional on the Magistrates of the importing district issuing import permits. The Committee were, however, informed in this connection that the grant of import permits for bringing gur into Gujerat were confined to only one party, thus introducing an element of monopoly in the procedure of giving permits. The Committee requested to have full particulars about the arrangements made for the import of Deccan gur into Kaira and other districts in Gujerat. Government in their letter dated 6th June informed the Committee that the scheme of such imports was to be worked through local dealers, Trade Associations and Co-operative Organisations which were in the gur trade in the past and who were prepared to sign an agreement to bring the required quantity of gur within the prescribed time and sell at the controlled prices according to instructions of the Collector concerned. As the Collectors were made responsible for the working of the scheme, discretion was left to them to select such importing agents from the trade. The Committee in their reply dated 15th June drew attention that the discretion vested in the Collectors with regard to the appointment of importing agents was too wide and therefore it should be removed. It was emphasised that all existing merchants and agencies should be allowed to import gur into Gujerat districts from sources of supply in the Deccan. The guarantee required on the part of the importing agency to bring the required quantity

of gur within the prescribed time was not possible of fulfilment under the existing circumstances of transport and other reasons.

Government in their reply dated 3rd July justified the powers vested in the Collectors for appointment of agents for distribution of gur in the Gujerat districts and stated that if any specific instances where the claims of the merchants, who were in the gur trade in the past, appeared to have been ignored, the Committee might supply a list of such names when the matter would be looked into.

Accordingly, on the 26th October the Committee supplied a list of names of merchants who were interested in the gur trade, but who were not allowed to import gur into Gujerat districts.

### Distribution of Jaggery in Thana District

In their communication dated 12th April 1945 addressed to the Director of Civil Supplies, Bombay, the Committee drew his attention to the proposal of the Collector of the Thana District to give exclusive rights for bringing jaggery into the district and distributing the same to a single firm although the firm was not previously in the jaggery trade. The Committee desired to know whether this information was true and, if so, they felt that the action of the Collector was tantamount to disturbing the usual trade channels. While the Committee had no objection against any proposal for regularising the supply of jaggery in the district and ensuring equitable distribution, they were against any practice which would displace the established interests of a particular trade. It was urged that the District Authorities should take into confidence the Thana District Grain and Kirana Merchants' Association, which was an organised body well-connected with the trade and take such steps as would be beneficial to the public interest.

### Control on Imports of Jaggery into Ahmedabad

The Committee in their communication dated 14th November addressed to the Director of Civil Supplies, Bombay, complained against restrictions on free entry of gur into the districts, generally, and Ahmedabad in particular. As an instance in point they referred to the restriction on free entry of gur into the Ahmedabad district as also the appointment of a monopolistic agency for dis-

tribution of gur in the district and stated that as a result of such a policy on the part of Government the quality of gur supplied to the public had suffered as also the prices at which gur supplied had been distributed. Besides, the agency appointed for such distribution in many instances was found not conversant with the trade in gur and therefore the public was the real sufferer in quality as well as in price. It was urged that the Government policy for supply and distribution of gur in the districts should be reconsidered and free imports of the same should be allowed from suitable supply centres.

## Export of Indian Gur to Ceylon

The Committee in their communication dated 30th November addressed to the Government of India referred to the allotment of quotas for import of gur into Ceylon from Kolhapur State by the representative of the Government of India in Ceylon. Under this arrangement, the nominees in India of importing firms in Ceylon were to export gur from the Kolhapur State while the Export Trade Controller of Bombay was empowered to issue the export licences for such consignments of gur to Ceylon. In view, however, of the existing control and inability of the existing production of gur in India to meet the internal demand, Committee objected to any export of gur being made to Ceylon.

The Committee in the present case contended that in the first instance the Indian Representative in Ceylon in due course should have allocated such quotas to Indian exporters at this end for sending gur to Ceylon. Contrary to this Government by making quota arrangements in Ceylon had disturbed the usual trade channels in India as obviously enough gur was an Indian product and the Indian exporters had a prior right for handling such an arrangement. It was urged that in future the legitimate rights and interests of Indian exporters should be protected, and not sacrificed as was done by the Indian Representative in Ceylon by allocating quotas for imports of gur into Ceylon.

## Allotment of Special Sugar Quota for Industrial Purposes

In their communication dated 6th September addressed to the Director of Civil Supplies, Government of Bombay, the Committee referred to the difficulties experienced by members of the Bombay

Confectionery (Peppermints) Manufacturers' Association, as a result of insufficient sugar quota allotted to them. They stated that in spite of the Sugar Controller reserving 1,200 tons of extra sugar to be separately allocated for industrial purposes, only three members of the Association were given special quotas while the cases of the rest of their members were not taken into consideration for the purpose of allocating the special quota. The Committee desired to know why certain members of the Association were left out without giving them benefit of a proper assessment of the value of their products.

### Inadequate Sugar Quota for Messrs. D. Writer & Co.

The Committee in their communication dated 13th April addressed to the Department of Civil Supplies, Government of Bombay, drew attention to inadequate sugar quota at present granted to Messrs. D. Writer & Co., and urged that their request for increased quota, in view of their larger requirements, should be sympathetically considered.

### Supply of Sugar to Jemco Pharmaceutical Works, Panvel

In their letter addressed to the Director of Civil Supplies of 24th May, the Committee requested the authorities to give sufficient supplies of sugar to the Jemco Pharmaceutical Works to enable them to prepare their Ayurvedic medicines to meet the requirements of their clients.

### Allotment of Sugar to Employees of Sugar Factories in Deccan

In their communication dated 25th September addressed to the Sugar Controller, Government of India, the Committee drew attention to the inadequate quotas of sugar allowed to the employees of sugar factories in the Deccan. They stated that the sugar factories in India were allowed 100 bags per month of sugar from their own production for distribution among their workers and their dependents. Subsequently on representation made by the factories in the Deccan that they had, in addition to their staff in the factories, to supply sugar to their employees on the plantation, Government gave them extra 50 bags to be allocated during the crushing season. In April last this quota was reduced to 16 tolas per head per month, which was again revised to 40 tolas

in case of factory employees only while the plantation workers were only given 16 tolas. Committee stated that by various revisions in the Order, the employees of sugar factories had suffered much and urged that their former quota should be restored.

The Controller in his reply stated that the matter had received his consideration and that the same might be pursued with the Bombay Government who were responsible for the internal distribution of sugar within the province. Accordingly the Committee in their letter dated 30th October addressed to the Director of Civil Supplies, Bombay, reiterated the main grievances of the employees of the sugar factories in the Deccan and urged that their primary quota should be restored.

The Director of Civil Supplies in his reply dated 16th November informed the Committee that ultimately the distribution of sugar in the rural areas was effected through the rural distribution centres according to prescribed scale, which scale was applicable to the employees of sugar factories. In the opinion of Government, a scale higher than that allowed to similar populations in the same area was not justified.

### Slaughter of Pregnant Cows and Goats for Skins and Peltings

The Committee in their communication dated 7th December addressed to the Government of India drew attention to the practice of slaughtering pregnant sheep and cows with a view to securing supplies of special qualities of skins of unborn or newly born lambs and calves for purposes of trade. It was stated that such a practice was prevalent in the Punjab and U.P. and it was the duty of Government to put a stop to such inhuman procedure of obtaining trade products.

### Movement of Onions from Nasik District

The Committee in their communication dated 14th November addressed to the Director of Agriculture, Government of Bombay, Poona, drew attention to the difficulties experienced by the producers of and dealers in onions in the Nasik district, as a result of the prohibition on the movement of onions outside the Nasik district. The difficulty was aggravated by the fact that there was a total surplus of nearly 60,000 bags every season which required to be disposed of outside that district. The crop remained unsale-

able upto nearly 6 months from the time of harvest, after which it would deteriorate causing grave loss to the producers and dealers. It was urged that immediate steps should be taken for the issue of permits for movement of the surplus outside the district.

The Director in his reply dated 21st instant informed the Committee that the question was being examined by the Nasik Collector, who would take the necessary action.

### Milk Supply

The Committee supported the representation submitted to H. E. the Governor of Bombay by the Bombay Humanitarian League regarding adequate milk supply to the city and steps to be taken to improve the same, by their communication dated 23rd June addressed to the Government of Bombay. The remedies suggested were briefly as under : reduction in the slaughter of buffaloes in general and prohibition of slaughter of buffaloes in good health and under 15 years of age, prohibition of slaughter of buffaloes capable of re-generation, inspection of cattle at slaughter houses, appointment of a non-official on the Board of Inspection to be set up by Government and Government to make arrangements for salvage of dry cattle. It should be made obligatory for civilians and military authorities to send their dry cattle for salvage and Government should make arrangements for the same.

### Slaughter of Milch Cattle

In their communication dated 30th January addressed to the Government of Bombay, the Committee referred to Government Notification No. 9257/24 dated 9th January 1945 regulating the slaughter of cattle as from 1st February 1945, and protested against the provisions contained in the Notification referred. In this connection the Committee suggested certain modifications as under :—

(1) Just as the number of buffaloes to be slaughtered in scheduled slaughter-houses is reduced and fixed, the number of cattle should be reduced and fixed.

(2) Rejection from the utilitarian point of view should apply also to slaughter of buffaloes in scheduled slaughter-houses.

(3) The possibility of introducing meatless days may be considered so as to reduce the overall demand for meat

thereby leading to an automatic reduction in the number of heads tendered for slaughter.

(4) Non-officials should be associated in the procedure for passing cattle for slaughter in the major slaughter-houses.

(5) Permits for the importation of new buffaloes should be given in proportion to dry buffaloes salvaged.

(6) Delay in permits for salvaged buffaloes should be reduced by recognizing the Central Agency for approved salvage centres through which all dry cattle should go for salvage on whose recommendation permits should be granted.

(7) Energetic steps should be taken to increase the supply of feeds, like cotton seeds, right quality hay, etc. and for the distribution at fair prices, subsidized if necessary.

### Ban on the Use of Milk in Tea and Coffee by Hotels, Restaurants, etc.

The Committee in their communication dated 24th March referred to the order issued by the Government of Bombay prohibiting the use of fresh milk for tea, coffee, etc. in hotels, restaurants, etc. and observed that they disapproved of the use of skimmed milk powder being encouraged in any manner as a substitute for fresh milk ; the experience of hotel-keepers had already proved that the people in general did not like skimmed milk in their tea and therefore suggested to lift the ban on the use of milk in hotels, restaurants and recommended to concentrate efforts for securing increased supply of fresh milk.

With a view to increasing the quantity of supply of milk in the city and at the same time to continue the distribution of milk to children and expectant and nursing mothers, the Committee suggested that adequate number of milch cattle and sufficient supply of cattle feeds from all possible sources available for increasing the supply of milk in the city should be brought and that use of skimmed milk at any rate should be discouraged.

### Requisitioning of Godowns in the Port Trust Area

Late in December last the Committee had correspondence with the Bombay Port Trust in connection with the requisitioning of godowns situated on the Port Trust lands. They had

particularly referred to the locations like the Ryan Grain Market, godowns near Masjid Bunder, etc. which areas were important for carrying on the grain trade in the city and which had been upset by the requisitioning of such sites. Reference was also made to the requisitioning by Government of godowns, after they had been reconstructed by the interests concerned. They had drawn the attention of Government to the requisitioning of portions of land and godowns on the Elphinstone Estate which was an important centre for decades past for the activities of the various trades.

As it was not possible to obtain relief from the Port Trust authorities in this connection, the Committee addressed the Government of Bombay on 20th March 1945 submitting to them copies of previous correspondence on the subject. They also appealed to Government to supply building materials freely to the interests concerned for rehabilitation of trades which had been upset on account of the explosions of April 1944. They urged that all restrictions on the supply of building materials should be removed and that a co-ordinating central authority should be entrusted with the work of supplying such materials.

Government in their reply dated 17th September stated as under :

One block of godowns in the Ryan Grain Market was under occupation of the R.I.N. The other two blocks were required for the storage of grain for the purpose of supplying rations to the city. Certain godowns requisitioned by the Deputy Controller-General of Civil Supplies, despite their necessity, would be released except the two godowns which were required by the Rationing authorities. The release of certain more godowns was under consideration. It was not possible for Government to release the godowns near the Masjid Bunder area as they were required as tobacco warehouses.

The Committee in a further reply dated 18th October urged Government to release the godowns in the Ryan Grain Market area now used by the R.I.N. as the war emergency had ended. It was possible for Government to make other arrangements for the requirements of the R.I.N. They also urged that the godowns now used by the Rationing authorities should be released for the use of trade dealing in grains outside the rationing scheme, as

trading activity was possible in the nearby area. The Rationing authorities could remove storage of their grains to more distant localities as it would be easy for them to arrange for transport into the city. They reiterated their demand for the unrestricted supply of building materials like bricks, cement and sand for building purposes.

**Requisitioning of Residential Accommodation**

In their communication dated 17th March addressed to the Government of Bombay, the Committee referred to the widespread feeling of alarm and indignation which existed amongst the people of the city as a result of Government's policy of requisitioning residential quarters for military purposes. The Committee in this connection recalled the assurances given by His Excellency the Governor of Bombay to the Members of the Bombay Chamber of Commerce and observed that the policy followed by the authorities in the city was in contravention of the assurances given by His Excellency the Governor. The Committee suggested various measures which the authorities could profitably employ to ease the position of housing accommodation and emphasised that the Standing Quartering Board which had been established to consider the question as to what accommodation was required by the military and how it could be secured in the city should enlarge its personnel to include representatives from the commercial community with a view to discuss the question of building accommodation in the city. The Committee in conclusion observed that in order to inspire confidence in the people of this city it was essential that Government should unfold fully their plans with a view to achieving the co-operation of the civil population in the city.

**Rebuilding of Temporary Godowns on the Elphinstone Estate—leaving of Road Space**

In their communication dated 27th July, addressed to the Municipal Commissioner for the City of Bombay, the Committee referred to the case of Messrs. A. H. Bhiwandiwalla & Co., who had been refused permission by the Municipality to erect a temporary godown on the Elphinstone Estate in spite of the fact that they had agreed to pull down their temporary godown to

enable the Municipality to have road space when the Bombay Town Planning Scheme came into operation. It was contended that if other parties had been allowed to build godowns without leaving the necessary road space, Messrs. Bhiwandiwalla also be allowed that concession.

### Lay-out of the Elphinstone Estate

The Bombay Port Trust by their communication dated 28th May desired the views of the Committee regarding the proposal for the lay-out of the Elphinstone Estate which was affected by the explosions in 1944. Two alternative proposals suggested were (i) that the present system of letting out the sites on long leases to private parties subject to the rules and regulations as may be made by the Municipality and the Port Trust, and (ii) that the Port Trust should resume possession of the entire area, and themselves undertake the development of the area. The Committee in their reply dated 21st June submitted that the Port Trust should decide to continue the existing system of allowing the development of the Estate to be mainly left to private initiative.

### Lease of Plots on the Elphinstone Estate

In their communication dated 11th July addressed to the Bombay Port Trust the Committee referred to the communication addressed to Messrs. M. Bhuta & Co., who had been informed by the Port Trust that there was no plot on the Elphinstone Estate available for being let out to them. The Committee contended that as the firm had long established business which had greatly suffered on account of lack of facilities for storage consequent upon the Bombay Explosions, facilities should be given to them for *bona fide* requirements.

### Restrictions on Building operations in the City

In their communication dated 16th August addressed to the Government of Bombay, the Committee appealed that restrictions on building operations in the city should be removed as no justification now existed for their continuance since the war was over. They urged that the entire building material including reserves kept in the hands of the Government should be made available to the public. As the question of congestion in the city was one

of the most urgent matters deserving immediate attention of the authorities, no time should be lost in releasing such building materials and giving permission for erection of a large number of buildings in the city. Reference was made to the high prices of building materials prevailing in the city. If Government removed the existing controls and allowed trade channels to function for the purpose of erecting a large number of buildings in the city not only that the congestion in the city would be greatly relieved, but that such a move on the part of Government would help employment also.

### Difficulties in connection with the Scarcity of Godown Accommodation to Oil Mill Owners of Gadag

The Committee in their communication dated 19th March drew the attention of the Government of Bombay to the acute scarcity of godown accommodation for the storage of groundnuts and other oil-seeds at Gadag and requested Government to issue instructions to the district authorities to look into this matter and to arrange that oil mill owners were not inconvenienced as a result of shortage of godown accommodation. They also emphasised in this connection the fact that the difficulties were likely to be accentuated because of the crushing season which was in full swing and therefore requested Government to do the needful in the matter.

### Godown accommodation for the Oil Mill Industry

In their letter dated 24th February addressed to the Director of Agriculture, the Committee referred to the serious position of godown accommodation as pointed out by the Karnatak Oil Mills Association, and urged that steps be taken to release the requisitioned godowns and thus give relief to the millers who were suffering because of acute shortage of godown accommodation.

### Permanent Combined Operations Training Area from Mudh Fort to Gorai Village

In their communication dated 14th November addressed to the Government of Bombay, the Committee drew attention to the contemplated setting up of a permanent combined operations

training area from Mudh Fort to Gorai village, which covered an area of 10 miles on the coast northwards from Versova. This proposal, the Committee contended, would create a serious difficulty by curtailing the amenitles of one of the useful seaside lungs of the city and would frustrate the scheme for the development of suburbs and town planning. It was urged that as the scheme which primarily intended to turn an industrial centre into a military centre was most unwelcome and should be withdrawn.

**Rule 122 of the Defence of India Rules—Offences by Corporations**

Under Rule 81 of the Defence of India Rules, the Central Government have been empowered to take such measures as might be considered necessary for the general control of industries, regulation of production, control of rates, etc. in the interests of the efficient prosecution of the war. Under Rule 122 of the Defence of India Rules the Directors of a Joint Stock Company or partners of firms were held liable for offences relating to breach of control orders although such Directors and partners might not have had any knowledge of the transactions in connection with the same. The Committee in their communication dated 17th April addressed to the Government of India pointed out that as such Directors and Partners did not take active interest in the day-to-day affairs of the companies or firms, they should not be held liable for such administrative acts. It was emphasised that only persons who were directly responsible for such contravention of the rules and orders should be held liable.

**Restoration of the Old Standard Time**

In the communication dated 31st July, the Committee referred to the present standard time which was one hour in advance of the old standard time before the war. When this advance of time was introduced, the Committee had brought to the notice of Government the great inconvenience the commercial community would experience as a result of such advance. The Committee urged that as the war in Europe had ended and as the clocks in London had also been put back and resumed the old pre-war time, the clocks in India also be put back by one hour and that the old standard time be restored.

Government in their reply dated 10th August informed the Committee that it was not possible for them to restore the old

standard time for the present. The Committee in a further communication dated 28th August pursued the matter further drawing the attention of Government that the change in time was introduced as a result of Black Out, A. R. P., etc. which required the workers to reach their homes before nightfall. As conditions had changed since then and the war conditions had now ended, they urged again the Government of India to reconsider the matter and restore the old Indian Standard Time for the benefit of the public in general.

### Interpretation of the term "Cessation of Hostilities"

In their telegram dated 13th September addressed to the Government of India, the Committee desired to know when Government would declare and fix a date on which officially war or hostilities would be deemed to have ended. This, the Committee contended, was important to the commercial community as many contracts were dependent for their operation on the exact date announcing the termination of hostilities.

### Restriction on the publication and circulation of Annual Accounts of Public Utility Concerns

The Committee in their telegram dated 13th September drew attention of the Government of India to the restrictions on the publication and circulation of annual accounts of the Electric Supply Undertakings, Shipping Companies and Public Utilities under Rule 45B of the D. I. R., and stressed that as the war had come to an end there was no justification for continuing the ban on such publications.

Government in their reply dated 24th October informed the Committee that Rule 45B had been repealed with effect from 13th October 1945.

### Representation of Electricity Industry and Consumers on the Advisory Board re: Electric Supply Finances

The Committee in their communication dated 24th November addressed to the Government of India referred to a report appearing in the press regarding the appointment of an Advisory Board by Government to formulate a draft code containing general principles relating to the control and finance of the public utility electric

supply services with a view to ensure that the rates fixed for the use of energy are neither excessive to the consumers nor insufficient to the undertakings. They pointed out that with one exception there was no non-official on the said Board. It was, therefore, urged that representation on the Advisory Board should be arranged for interests connected with electricity generating undertakings providing public utility electric supply services. It was further stated that such interests were vitally connected with the finance relating to electricity undertakings. It was stressed that the practical experience of such interests should be utilized by the Board. The Government of India in their reply dated 1st December informed the Committee that in their opinion the interests of the electric supply undertakings were properly represented by the Commercial Manager of the Calcutta Electric Supply Corporation nominated by the Federation of Electricity Undertakings of India. Further the Board would take the assistance of assessors where clarification and elucidation were found necessary. The Advisory Board would submit a draft of the Report to the Central Government who will examine the same before taking full action. Under the circumstances, it was not necessary to enlarge the personnel of the Board.

### Clemency for Chimur and Ashti Murder Case Accused

The Committee sent a telegram to His Excellency the Viceroy on 3rd January, appealing for the exercise of his prerogative of clemency for commuting the death sentence passed on the fifteen accused involved in the Chimur and Ashti murder cases; such an act of clemency, the Committee added, would be appreciated greatly by people all over the country.

The Committee sent a telegram on 2nd April to His Excellency the Viceroy requesting him to intercede to save the lives of the Ashti and Chimur accused by recommending to His Majesty to reconsider the appeal for mercy in their behalf.

### Release of Indian Political Leaders

In their telegram dated 12th June addressed to H. E. the Viceroy, the Committee urged for the immediate release of all political leaders with a view to the creation of proper atmosphere for the dispassionate consideration of Government proposals for ending the deadlock.

## Indian National Army Relief Fund

In response to an appeal from the Mayor of Bombay for contributions to the Indian National Army Relief Fund, the Committee by a general circular requested the members of the Chamber to contribute generously to the Fund which had been started in support of a noble cause.

## Nominations of Representatives on various Commissions and Committees appointed by the Indian National Committee of the International Chamber of Commerce

The Committee nominated the following gentlemen as representatives on the respective Commissions and Committees of the International Chamber of Commerce.

Sir Chunilal B. Mehta,—(i) Steering Committee for Commercial and Financial Relations; (ii) Commission on Commercial Policy, and (iii) Committee on Monetary Relations.

Mr. M. A. Master,—(i) Committee on Indian Navigation, and (ii) Committee on Sea Transport.

## Meeting of the Industrial Panel for the development of the Machine Tool Industry (July 1945)

The Committee nominated the following gentlemen to attend the above meeting as the Chamber's representatives :—

1. Mr. A. A. Jasdenwalla,
2. „ D. S. Mulla (with Mr. S. C. Driver),
3. „ S. J. Pandya,
4. „ V. M. Meswani, and
5. Dr. Jivraj N. Mehta.

## Selection of the Personnel of the Trade and Industrial Delegation sent Abroad

The Committee in their letter dated 30th January 1945 addressed to the Federation of Indian Chambers of Commerce and Industry referred to the Government practice of nominating the

personnel of non-official Trade and Industrial Delegations sent abroad and stated that they should object to this procedure whereunder the real representative character of such delegation suffered. It was suggested that such Delegations should be selected by the representative Indian commercial and industrial organisations in the country, who should recommend and nominate representatives comprising such delegations. It was urged that the Federation should take up this question with Government and secure an assurance from them that they would in future invite the Federation and such other like bodies to select the personnel of such delegations sent abroad. The Federation accepted the suggestion of the Committee.

### Appointment of Mr. S. A. S. Tyabjee as Adviser to the Governor of Burma (September 1945)

The Committee addressed a telegram to the Government of India, protesting against the appointment of Mr. S. A. S. Tyabjee, as Adviser to the Governor of Burma, on the ground that he did not enjoy the confidence of the Burma Indian interests and as he did not generally share the views and feelings of Indians in regard to vital matters affecting them in that country.

Government, in their reply dated 22nd September informed the Committee that it was the right of the Governor of Burma to nominate as his Adviser whomsoever he wished to choose. It was, therefore, not in order for the Government of India to interfere in the matter.

### Representative of the Chamber on the Traffic Advisory Committee, Bombay (September 1945)

The Honourable Mr. Manockji N. Dalal was re-elected as the representative of the Chamber on the Traffic Advisory Committee, Bombay, for a further term of 2 years commencing from October 1945.

### Election of the Chamber's Representative on the Board of Communications, Bombay (October 1945)

Mr. Keshavprasad C. Desai was re-elected as the representative of the Chamber on the Board of Communications, Bombay for a further term of 2 years ending September 1947.

## Appointment of Chamber's Representative on the Port Committee (Export Control) (August 1945)

The Government of India appointed the President of the Chamber, Mr. M. A. Master, as the representative of the Chamber on the Bombay Port Committee.

## Representative of the Chamber on the Standing Committee for Backbay Reclamation Scheme (August 1945)

The Committee re-appointed Mr. Manu Subedar, M.L.A. (Central) as their representative on the above Standing Committee for a fresh term of 3 years from 1st August 1945.

## Representative of the Chamber on the Advisory Board of the Sydenham College of Commerce and Economics (May 1945)

The Committee re-appointed the Honourable Sir Rahimtoola M. Chinoy as the Chamber's representative on the above Advisory Board.

## Nomination of Chamber's Representatives on the Railway and Traffic Panel re: Post-war Development of Bombay City and Suburbs

The Committee nominated Mr. M. A. Master, President of the Chamber, as their representative on the Railway and Traffic Panel.

## Provincial Industries Committee (April 1945)

The Committee nominated Mr. M. A. Master, President of the Chamber as their representative on the Provincial Industries Committee proposed to be appointed by the Government of Bombay.

## Representative of the Chamber on the Greater Bombay Scheme

In their communication dated 18th December 1944, the Government of Bombay invited the President of the Chamber to serve on the Committee which the authorities proposed to set up in connection with the post-war developments and other allied plans.

The Committee in their letter dated 22nd December 1944 informed the Government of Bombay that Mr. M. A. Master, President of the Chamber, would serve on the Committee referred to.

**Representative of the Chamber on the B. B. & C. I. Railway Local Advisory Committee (January 1945)**

The Committee re-elected Mr. Chhotabhai S. Patel as the Chamber's Representative on the Local Advisory Board of the B. B. & C. I. Railway for a further period of two years.

**Coal and Coke Advisory Committee (June 1945)**

The Committee nominated Mr. Thakorelal H. Vakil as their representative on the Advisory Committee for Coal and Coke.

**18th Annual Session of the Federation of Indian Chambers of Commerce and Industry, held in New Delhi, March 1945**

The Committee nominated the following four gentlemen as the Chamber's Delegates to the 18th Annual Session of the Federation of Indian Chambers of Commerce and Industry, held in New Delhi in March 1945 :—

1. Mr. M. A. Master (President),
2. „ Mahomed Husein Hasham Premji (Vice-President),
3. „ J. C. Setalvad, and
4. Seth Pranlal Devkaran Nanjee.

Seth Pranlal Devkaran Nanjee, was unable to attend the Session ; in his place Mr. Manu Subedar was nominated as a Delegate.

**18th Session of the Federation of Indian Chambers of Commerce and Industry**

The Committee in their communication dated 10th January 1945 forwarded the following subjects for consideration at the 18th Annual Session of the Federation :—

(1) Political situation,

(2) Industrialisation and National Plan,

(3) Coal,

(4) Shipping,
(5) Income-tax—administrative reforms, and
(6) Financing of allied operations and sterling balances.

**Federation of Indian Chambers of Commerce & Industry's Representative on the Indian Central Tobacco Committee**

Mr. Mohanlal A. Parikh, a nominee of this Chamber, was elected to represent the Federation on the Indian Central Tobacco Committee.

**Election of a representative of the Federation of Indian Chambers of Commerce and Industry on the Indian Institute of Art in Industry**

The Committee cast their vote in favour of Mr. A. R. Sidiqui for the above election. He was subsequently declared to have been elected.

**Election of Representatives of the Federation on the Central Advisory Committee for Light Houses**

With reference to the above, the Committee voted in favour of the following three gentlemen, who were subsequently elected :—

1. Mr. M. A. Master, Bombay.
2. „ Gaganvihari L. Mehta, Calcutta, and
3. Sir Abdul Halim Ghaznavi, M.L.A. (Central).

**Burma-Indian Conference (July 1945)**

The Committee nominated the following gentlemen to attend the Burma-Indian Conference held in Bombay as representatives of the Chamber :—

1. The Hon'ble Sir Rahimtoola M. Chinoy,
2. Mr. Behram N. Karanjia, and
3. „ C. A. Buch.

**Death of Sjt. Subhas Chandra Bose (August 1945)**

The Committee passed a resolution recording their sense of sorrow on the death of Sjt. Subhas Chandra Bose.

## Passing away of President Roosevelt

The Committee issued a press statement dated 14th April on the death of President Roosevelt. They felt that President Roosevelt's death had removed a great and powerful personality from the scene of world affairs. India shared with the American people their sorrow at the passing away of the great patriot.

## Death of Mr. B. M. Bhargava, a Member of the Committee (August 1945)

The Committee passed a resolution recording their sense of sorrow at the death of Mr. B. M. Bhargava, a member of the Committee.

## Membership of the Chamber

At the beginning of the year, there were on the Register 1,256 Members. During the year 370 (358 new Ordinary Members plus 2 new and 10 old members joined as Patron-Members) were elected ; and 19 discontinued their membership (10 having resigned, 5 having died, and 4 having been struck off from the Register). There are thus, 1,597 Members now on the Roll.

It may be mentioned that there were 72 Association-Members at the beginning of the year ; 19 Associations joined as Members and 1 resigned during the year. There are thus 90 Association-Members.

During the year, the following 2 new and 10 old members joined the Chamber as Patron-Members :—

1. Mr. Dhirajlal Jivabhai, Bombay,
2. Messrs. Kamani Bros., Ltd.,
3. The Scindia Steam Navigation Co., Ltd.,
4. The Bombay Steam Navigation Co., Ltd.,
5. The Ratnagar Steam Navigation Co., Ltd.,
6. The Bengal-Burma Steam Navigation Co., Ltd.,
7. The Eastern Steam Navigation Co., Ltd.,
8. The Indian Co-operative Navigation & Trading Co., Ltd.,
9. Scindia Steamships (Burma) Ltd.,
10. Scindia Steamships (London), Ltd.,
11. The Eastern Bunkerers, Ltd.,
12. Messrs. Narottam Ltd.

## Commercial Examinations

The Commercial Examinations conducted by the Chamber in various centres in India were held from 8th May 1945 to 11th May 1945. The total number of candidates appeared at these examinations was 928. Out of these 156 passed in Diploma Subjects and 360 passed in Certificate Subjects. 151 candidates were accorded exemptions in various subjects. 55 recognized institutions sent candidates for the examinations as against 55 of last year. The examinations were held in the following centres :—

| | | |
|---|---|---|
| Bombay | Mysore | Coimbatore |
| Poona | Bangalore | Mangalore |
| Ahmedabad | Trichinopoly | Nagpur |
| Surat | Palghat | Junagadh |
| Beawar | Dewas (J. B.) | Delhi |
| Calcutta | Madras | Lahore |
| Lashkar | Ladnun | |

## Library of the Chamber

During the course of the year nearly 150 books were added to the Library of the Chamber—names of which were published in the monthly issues of the *Journal*—apart from the reports received from the Central and Provincial Governments and other minor pamphlets received from various institutions. Nearly 300 members of the Chamber and their friends took advantage of the books available in the Library. Nearly 400 inquiries were answered in connection with reference books and such other minor information through the Chamber's Library. It is, however, hoped that more members would frequently take advantage of the various books and journals received in the Chamber and profit from the literature available therefrom.

## Accounts

The Statement of Accounts of the Chamber for the year ended 31st December 1945, with the Auditors' Report is annexed hereto. It will be observed that a sum of Rs. 3,640 has been received as contribution from the Representatives of the Chamber on various Public Bodies. The best thanks of the Committee are due to the gentlemen who have made these contributions.

# THE INDIAN MERCHANTS' CHAMBER

*Balance Sheet as at 31st December, 1945.*

| LIABILITIES | | Rs. a. p. | PROPERTY & ASSETS | | Rs. a. p. |
|---|---|---|---|---|---|
| **CAPITAL FUND AND OTHERS:** | | | | | |
| CAPITAL FUND: | Rs. a. p. | | FURNITURE & FITTINGS AT COST: | Rs. a. p. | |
| Admission fee of members upto 31-12-44 ... | 90,000 0 0 | | Upto 31-12-44 ... | 20,369 10 6 | |
| Admission fee of members received during the year | 18,450 0 0 | | Additions during the year ... | 177 4 0 | |
| | 1,08,450 0 0 | | | 20,546 14 6 | |
| Rs. | | | *Less*: Depreciation Rs. upto 31-12-44 5,760 | | |
| Patron fees upto 31-12-44 35,000 | | | During the year ... 1,628 | 8,388 0 0 | |
| Patron fees received during the year ... 57,500 | 92,500 0 0 | | | | 12,158 14 6 |
| | | | MEASUREMENT DEPARTMENT: | | |
| | | | Furniture and Fittings at Cost upto 31-12-44 ... | 5,381 12 0 | |
| | | | Additions during the year ... | 3,348 4 0 | |
| | | | | 8,730 0 0 | |
| | | | *Less*: Depreciation Rs. upto 31-12-44 ... 137 | | |
| | | | During the year ... 403 | 540 0 0 | |
| | | | | | 8,190 0 0 |
| | | | BOOKS FOR LIBRARY: | | |
| | | | Upto 31-12-44 ... | 26,853 12 2 | |
| | | | Additions during the year ... | 1,270 3 6 | |
| | | | | 28,123 15 8 | |
| | | | *Less*: Depreciation Rs. upto 31-12-44 ... 8,778 | | |
| | | | During the year ... 2,013 | 10,791 0 0 | |
| | | | | | 17,332 15 8 |
| | | | Subscriptions due from members ... | ... | 2,525 0 0 |
| | | | ADVANCES: | | |
| | | | Deposit with Central Publication Branch, Delhi ... | 17 14 3 | |
| | | | Loan to Staff ... | 3,204 0 0 | |
| | | | | | 3,221 14 3 |
| | | | INVESTMENTS: | | |
| | | | (Government Securities, etc. at Cost). | | |
| | | | CAPITAL FUND: | Rs. a. p. | |
| | | | 3% 1st Development Loan (1970–75) of Rs. 15,000 | 14,573 7 0 | |
| | | | 3% Loan (1951–54) of Rs. 10,000 | 9,986 14 0 | |
| | | | 2½% Loan (1947-50) of Rs. 29,000 | 30,848 12 0 | |
| | | | 3½% Loan (1854–55) of Rs. 20,000 | 19,837 8 0 | |
| | | | 3½% Loan (1842–43) of Rs. 10,000 | 9,656 4 0 | |
| | | | 3½% Loan (1900–01) of Rs. 30,000 | 29,878 2 0 | |
| | | | 5% Municipal Loan (1959) of Rs. 10,000 | 8,662 8 0 | |
| | | | Loan to L. N. Memorial Trustees (Part of Rs. 37,500) | 14,000 0 0 | |
| | | | In Current Account with Central Bank of India Ltd. (Part of Rs. 76,666-7-4) | 63,296 9 0 | |
| | | | | 2,00,550 0 0 | |
| | | | GENERAL: | | |
| | | | 3% 1st Development Loan (1970–75) of Rs. 60,000 | 58,293 12 0 | |
| | | | 4% Port Trust Bonds (1969) of Rs. 2,000 | 2,025 0 0 | |
| | | | 3% Loan (1951–54) of Rs. 15,000 | 14,995 5 0 | |
| | | | 2½% Loan (1948–52) of Rs. 20,000 | 20,025 0 0 | |
| | | | 3½% Loan (1947–50) of Rs. 9,000 | 9,573 12 0 | |
| | | | 3½% Loan (1900–01) of Rs. 10,000 | 9,959 6 0 | |
| | | | 3½% Loan (1842–43) of Rs. 10,000 | 9,656 4 0 | |
| | | | 3½% Loan (1854–55) of Rs. 20,000 | 19,837 8 0 | |
| | | | 3½% B. P. C. L. M. Bank Deb. (1957–62) of Rs. 30,000 | 30,825 0 0 | |
| | | | Loan to L. N. Memorial Trustees | 23,500 0 0 | |
| | | | | 1,58,690 15 0 | |
| | | | COMMERCIAL EXAMINATIONS PRIZE FUND: | | |
| | | | 4% Loan (1960–70) of Rs. 2,800— L. R. T. Memorial Fund | 2,996 0 0 | |
| | | | 3½% Loan (1865) of Rs. 1,800— Dena Bank | 1,800 0 0 | |
| | | | | 4,796 0 0 | |
| | | | CASH AND OTHER BALANCES: | | |
| | | | In Current Account with Central Bank of India Ltd. | 13,369 14 4 | |
| | | | In Current Account with Bank of India, Ltd. | 13,613 9 8 | |
| | | | Cash on hand | 943 2 9 | |
| | | | | 27,926 10 9 | 4,32,363 9 9 |
| | Total Rs. ... | 4,75,792 6 2 | | Total Rs. ... | 4,75,792 6 2 |

DEVIDAS VITHALDAS & CO.,
*Registered Accountants & Auditors.*

*Bombay, 5th January 1946.*

ROYAL ASIATIC SOCIETY LIBRARY BOMBAY OF THE

# THE INDIAN MERCHANTS' CHAMBER

*Dr.* *Income and Expenditure Account for the year ended 31st December, 1945.* *Cr.*

| EXPENDITURE | Rs. | a. | p. | INCOME | Rs. | a. | p. |
|---|---|---|---|---|---|---|---|
| To:— | | | | By:— | | | |
| Office Establishment ... ... ... | 64,455 | 12 | 2 | Membership Subscriptions ... | 1,21,225 | 0 | 0 |
| Insurance, Heating & Lighting Charges ... | 314 | 0 | 0 | *Less:* Bad Debts ... | 275 | 0 | 0 |
| Telephone Charges ... ... ... | 1,089 | 0 | 0 | | | | |
| Postage and Telegrams ... ... ... | 6,156 | 8 | 9 | | 1,20,950 | 0 | 0 |
| Printing Reports, etc. ... ... ... | 12,128 | 15 | 0 | | | | |
| Do. Journal ... ... ... | 5,914 | 0 | 0 | | | | |
| Stationery ... ... ... | 2,793 | 0 | 0 | Contributions from Chamber's Representatives on various Public Bodies ... ... | 3,640 | 7 | 0 |
| Subscriptions to Newspapers and Periodicals ... | 1,460 | 12 | 6 | | | | |
| Miscellaneous Expenses ... ... ... | 1,145 | 8 | 0 | | | | |
| Upkeep of Library, including Binding Charges... | 13 | 8 | 0 | | | | |
| Conveyance Charges ... ... ... | 670 | 10 | 6 | COMMERCIAL EXAMINATIONS: | Rs. | a. | p. |
| Commission on Advertisements ... ... | 348 | 12 | 0 | | | | |
| Auditors' Honorarium ... ... ... | 200 | 0 | 0 | Fees for Examination ... | 9,831 | 12 | 0 |
| Travelling Expenses ... ... ... | 714 | 12 | 0 | | | | |
| Repairs to Furniture, etc. ... ... | 474 | 14 | 0 | Fees for recognition of Commercial Institutions ... | 220 | 0 | 0 |
| Chairs, etc. Hire ... ... ... | 184 | 12 | 0 | | | | |
| Membership Subscription to the Federation of Indian Chambers of Commerce and Industry... | 200 | 0 | 0 | Sale of Syllabus and Question Papers ... | 71 | 9 | 3 |
| Do. to the Indian National Committee of the International Chamber of Commerce | 33 | 0 | 0 | | | | |
| Contribution to Indian Chamber of Commerce in Great Britain ... ... ... | 31 | 2 | 9 | | 10,123 | 5 | 3 |
| Bank Commission ... ... ... | 34 | 6 | 6 | Interest on Investments and Current Accounts ... | 7,376 | 2 | 6 |
| Safe Custody Charges ... ... ... | 117 | 0 | 0 | | | | |
| Advertisement Charges ... ... ... | 142 | 0 | 0 | Fees for issuing Certificates of Origin, etc. ... | 3,397 | 0 | 0 |
| Contribution to Staff Provident Fund ... | 3,503 | 10 | 8 | | | | |
| Interest on Provident Fund ... ... | 295 | 15 | 0 | Advertisements in Journal ... ... | 4,820 | 10 | 0 |
| Legal Charges ... ... ... | 305 | 0 | 0 | | | | |
| Loss on realisation of 1945-55 G. P. Notes ... | 2,109 | 6 | 0 | Subscriptions to Journal ... ... ... | 435 | 2 | 0 |
| | | | | Sale of Members' List etc. ... ... | 411 | 0 | 0 |
| | | | | Sundry Receipts ... ... ... | 48 | 2 | 0 |
| | | | | Measurement Fees ... ... ... | 31,763 | 12 | 6 |
| COMMERCIAL EXAMINATIONS: | Rs. | a. | p. | | | | |
| Remuneration to Examiners, Centre Expenses, etc. ... | 3,269 | 13 | 6 | | | | |
| Printing and Stationery ... | 1,230 | 6 | 0 | | | | |
| Postage ... ... | 256 | 15 | 9 | | | | |
| | 4,757 | 3 | 3 | | | | |
| MEASUREMENT DEPARTMENT: | | | | | | | |
| Salaries and Wages ... | 21,821 | 0 | 4 | | | | |
| Rebate of Fees ... ... | 5,139 | 7 | 0 | | | | |
| Printing and Stationery ... | 1,245 | 9 | 0 | | | | |
| Postage and Telegrams ... | 21 | 0 | 6 | | | | |
| Conveyance Charges ... | 122 | 11 | 6 | | | | |
| Petty Charges ... ... | 822 | 13 | 0 | | | | |
| Fire Insurance ... ... | 31 | 10 | 0 | | | | |
| Repairs to Furniture ... | 42 | 0 | 0 | | | | |
| Removal Charges (Chowki) ... | 318 | 0 | 0 | | | | |
| Rates and Taxes ... | 36 | 12 | 0 | | | | |
| | 29,600 | 15 | 4 | | | | |
| DEPRECIATION: | | | | | | | |
| Furniture and Fittings ... | 1,628 | 0 | 0 | | | | |
| Do. (Measurement Dept.)... | 403 | 0 | 0 | | | | |
| Library Books ... ... | 2,013 | 0 | 0 | | | | |
| | 4,044 | 0 | 0 | | | | |
| Income-tax and Super-tax (including Advance Payment 1945-46) ... ... ... | 13,237 | 8 | 0 | | | | |
| Balance being excess of Income over Expenditure transferred to Balance Sheet (Subject to Taxation) ... ... ... | 26,489 | 8 | 10 | | | | |
| Total Rs. ... | 1,82,965 | 9 | 3 | Total Rs. ... | 1,82,965 | 9 | 3 |

We have audited the foregoing Balance Sheet of the Indian Merchants' Chamber as at 31st December 1945, and also the foregoing Income and Expenditure Account for the year ended upon that date, and report that—

(*a*) we have obtained all the information and explanations we have required;

(*b*) in our opinion, the foregoing Balance Sheet and Income and Expenditure Account are drawn up in conformity with the books;

(*c*) we have verified the Investments; and

(*d*) such Balance Sheet exhibits a true and correct view of the state of the Chamber's affairs according to the best of our information and explanations given to us and as shown by the books of the Chamber.

M. A. MASTER,
*President.*

DEVIDAS VTHALDAS & CO.,
*Registered Accountants & Auditors.*

J. K. MEHTA,
*Secretary.*

*Bombay, 5th January 1946.*

LALJI NARANJI MEMORIAL INDIAN MERCHANTS CHAMBER BUILDING

*Revenue Account for the Year ended 31st December 1945*

| EXPENDITURE | | Rs. | a. | p. | INCOME | | Rs. | a. | p. |
|---|---|---|---|---|---|---|---|---|---|
| TO: | | | | | BY: | | | | |
| Ground Rent | ... | 7,942 | 0 | 0 | Rent | ... | 23,895 | 0 | 0 |
| Municipal Tax | ... | 6,408 | 12 | 6 | Bank Interest | ... | 16 | 12 | 0 |
| Gas & Electric Charges | ... | 651 | 6 | 3 | | | | | |
| Fire Insurance | ... | 189 | 11 | 0 | | | | | |
| Salaries & Wages | ... | 2,080 | 1 | 0 | | | | | |
| Maintenance & Repairs | ... | 568 | 10 | 0 | | | | | |
| General Charges | ... | 278 | 2 | 0 | | | | | |
| Postage & Stamps | ... | 7 | 9 | 0 | | | | | |
| Interest | ... | 787 | 8 | 0 | | | | | |
| Printing & Stationery | ... | 20 | 8 | 0 | | | | | |
| | | 18,934 | 3 | 9 | | | | | |
| Surplus during the year (Subject to Depreciation & Taxation) | ... | 4,977 | 8 | 3 | | | | | |
| | Total Rs. | 23,911 | 12 | 0 | | Total Rs. | 23,911 | 12 | 0 |

We have audited the foregoing Balance Sheet of the Lalji Naranji Memorial Indian Merchants' Chamber Building Trust as at 31st December 1945 and also the foregoing Income and Expenditure Account for the year ended upon that date, and report that:—

(a) we have obtained all the information and explanations we have required;
(b) in our opinion, the foregoing Balance Sheet and Income and Expenditure Account are drawn up in conformity with the books;
(c) we have verified the investments; and
(d) such Balance Sheet exhibits a true and correct view of the state of the Trust's affairs according to the best of our information and the explanations given to us and as shown by the books of the Trust.

*Bombay, 16th January 1946.*

Devidas Vithaldas & Co.
*Registered Accountants,*
*Hon. Auditors.*

J. K. Mehta
*Hon. Secretary.*

(1) Chaturbhuj Gordhandas Soonderdas
(2) Mathuradas Vissanji
(3) J. C. Setalvad
(4) Gordhandas G. Morarji
(5) M. C. Ghia

*Trustees.*

# LALJI NARANJI MEMORIAL INDIAN MERCHANTS' CHAMBER BUILDING TRUST

*Balance Sheet as at 31st December 1945*

| FUNDS & LIABILITIES | | | | Rs. | a. | p. | PROPERTY & ASSETS | | | | Rs. | a. | p. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Contributions from Donors:** | | | | | | | **Building at cost:** | Rs. | a. | p. | | | |
| As per last Balance Sheet | | | ... | 1,81,039 | 12 | 0 | As per last Balance Sheet | ...2,35,473 | 7 | 11 | | | |
| Loan secured by Hypothecation of Documents (Indian Merchants' Chamber) | | | ... | 37,500 | 0 | 0 | *Less* Surplus of Legal Charges | ... 1,084 | 6 | 9 | 2,34,389 | 1 | 2 |
| Interest accrued on above | | | ... | 787 | 8 | 0 | **Rents Outstanding:** (Considered good) | | | ... | 660 | 0 | 0 |
| **Liabilities:** | Rs. | a. | p. | | | | Loan to Employee | | | ... | 25 | 0 | 0 |
| For Expenses ... | 2,005 | 8 | 0 | | | | Prepaid Expenses | | | ... | 1,620 | 1 | 0 |
| For Rent Deposits ... | 765 | 0 | 0 | | | | | | | | | | |
| | | | | 2,770 | 8 | 0 | **Cash Balances:** | | | | | | |
| **Revenue Account:** | | | | | | | Cash at Bank Current A/c. | 8,428 | 4 | 5 | | | |
| As per last Balance Sheet ... | 18,276 | 14 | 10 | | | | Cash on hand | ... 229 | 12 | 6 | | | |
| Surplus during the year (Subject to Depreciation and taxation for 1942-45) ... | 4,977 | 8 | 3 | | | | | | | | 8,658 | 0 | 11 |
| | | | | 23,254 | 7 | 1 | | | | | | | |
| | Total Rs. | | | 2,45,352 | 3 | 1 | | Total Rs. | | | 2,45,352 | 3 | 1 |

# APPENDICES

## I.—TRANSPORT AND COMMUNICATIONS

### APPENDIX 1

### Rules relating to handling of Dangerous Cargo in Ports and Rule 45-B of Defence of India Rules*

*Letter No. 8-P(35)|44, dated 22nd May 1945, from War Transport Department to Chamber.*

I am directed to refer to your letter No. 1988, dated 30th September 1944, and to reply as follows to the various points raised therein.

(1) As already stated in this department's letter No. 8-P(35)|44, dated 19-9-44, it is not always possible to consult the commercial community before any rule or ordinance affecting trade and commerce is made. Where possible commercial interests will be consulted.

(2) The points raised by the Chamber in regard to the discharge of dangerous cargoes in docks in relaxation of the normal rules are covered by the regulations issued under Rule 88(2) and the Major Ports (Dangerous Cargo) Control Order issued under Rule 86(1) of the Defence of India Rules, as a result of the investigations of the Dangerous Cargoes (Ports) Committee.

(3) The Chamber is doubtless aware of the action taken by Government to pay compensation in respect of damage caused by the explosions and fires at the Bombay Docks in April 1944. The Government of India are unable to commit themselves in advance to make good all losses by an omnibus assurance such as has been asked for in para 4 of the Chamber's letter under reply.

(4) The Government of India regret that they are unable to modify their decision regarding the agency for authorising publication of any particular document when no security objections exist.

*Letter No. 1578, dated 23rd June 1945, from Chamber to War Transport Department.*

I am directed by my Committee to acknowledge the receipt of your letter dated 22nd May 1945, No. 8-P(35)|44, and to reply as follows :—

* For previous correspondence on the subject see p. 385 of the Report for 1944.

While my Committee appreciate your assurance that the commercial interests where possible will be consulted before any rule or Ordinance affecting trade and commerce is issued, they must express their serious disappointment at the omission to consult the commercial community on the important Ordinance issued by Government abrogating certain rules of the Bombay Port Trust affecting the safety of the Port and those living in the Port area. My Committee would like to emphasise the fact that in all such matters the commercial community is entitled to say that no action should be taken without consulting those who are seriously affected thereby.

My Committee note what you say in the second and third paragraphs of your letter. The point, however, which my Committee would again like to bring to your notice is that the Port Trust has told them that they would not be responsible for any loss or damage resulting from inflammable and dangerous commodities brought on its own premises. The Government also do not give any assurance that they would make good such loss or damage as would be caused by such inflammable and dangerous cargoes brought on the Port Trust property as a result of the orders issued by Government. The commercial community is, therefore, left unprotected. My Committee are constrained to observe that such a state of things is hardly just, and, therefore, hope that the Government would be pleased to reconsider the matter and give the necessary assurances to the commercial community that in case of damage or loss arising from the circumstances in question they will be made good. The more precautions, howsoever carefully they may be taken in the light of what you have stated in your second para, will be of no help to the commercial community in the event of any loss or damage, which it may suffer in the future as it suffered last year.

As regards your para 4, my Committee regret to note that the Government are not prepared to modify the decision in regard to the agency for authorising publication of any particular document when no security objections exist. My Committee find that the representatives of this Chamber on the Port Trust are not in a position to communicate to them even such matters as vitally affect the trade and commerce and interests of the commercial community at present. The procedure which has been suggested by you is so cumbersome and vests such powers in the Chairman

of the Port Trust that for all practical purposes there is no relaxation of the provisions of Rule 45-B as it stands today. My Committee believe that it cannot be the intention of the Government not to allow their representatives on the Port Trust to communicate to them, subject to reasons of security, such matters as vitally affect the trade, commerce and industry of the City.

Under the circumstances, my Committee would once again request Government to reconsider the matter and evolve such a procedure as would enable the representatives of the Chamber to place before them all matters in which the Chamber is vitally interested.

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## APPENDIX 2

### Appointment of Consulting Engineers to the Different Railways and Port Trusts in the Country

*Letter dated 1st June 1945, from Chamber to War Transport Department.*

The attention of my Committee has been drawn to the existing unsatisfactory position regarding the appointment of Consulting Engineers to the different railways and the Port Trusts in the country. They have in this connection seen a copy of the communication No. 1340 dated 5th May 1945 addressed to Government by the Indian Chamber of Commerce, Calcutta.

It appears that at present the services of only one or two British Firms are exclusively enlisted whenever the railways or the Port Trusts require expert advice of Consulting Engineers. Thus Messrs. Rendel Palmer Tratton of London have been working as Consulting Engineers to the different railways and Port Trusts for quite a long time. Apart from acting as consultants, it is reasonable to assume that they perform other functions also such as inspection and purchase of plants, etc. on behalf of their clients. Such consultants do not get the designing done in India, nor do they afford facilities for the training and employment of Indians in responsible positions.

Whatever may have been the justification for such a practice in the past, my Committee strongly feel that it is no longer necessary to continue the same. The services in question should be wholly Indianised. There are Indians of sufficient technical equip-

ment and experience who can be considered suitable for appointment as Consulting Engineers. My Committee suggest that Government should have a Panel of Consulting Engineers drawn from qualified Indian personnel; the basis on which fees are to be paid for such consultants should also be standardised and made public. The Railways and Port Trusts should enlist the services of Consulting Engineers only from such an approved Panel; Provincial Governments should also be desired to confine their consultation to members drawn from the Panel, whenever they have occasion to do so.

My Committee are aware that there may be occasions on which technical knowledge of a specialised character would be necessary and for which consultation with foreign experts may be unavoidable. In such cases, the Indian consultants selected from the Panel may be given the freedom to secure the collaboration, assistance or advice of such foreign experts or consultants as may be necessary. Thus even where foreign expert opinion is to be sought, it should be done through the agency of local consultants drawn from the officially approved Panel.

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## APPENDIX 3

### Motor Spare Parts Trade and Government Scheme of taking over Motor Transport all over India

*Letter dated 14th April 1945, from Chamber to War Transport Department, Government of India.*

The attention of the Committee of this Chamber is drawn to a communication, which the Bombay Motor Merchants' Association, Ltd., have addressed to you in their letter dated the 26th March 1945 on the above subject.

While my Committee do not wish to discuss the question of rail-road co-ordination at this stage, in view of the fact that they had already expressed their views on this question in their telegram to you dated the 21st February last, they would, however, like to emphasise the fact that the results of the policy of rail-road co-ordination will be such as are likely to affect the interests of those dealing in motor spare parts and accessories. My Committee, in this connection, understand that Government have arranged to import these spare parts on their own account either under Lend-

Lease or on cash-and-carry basis, eliminating thereby usual trade channels. There are nearly 2,000 firms in the country which have been established since years doing business in motor accessories, and the steps which Government now propose to take might greatly affect the trade channels. My Committee would, therefore, like to know if the facts, as stated by the Motor Merchants' Association, Ltd., Bombay, are correct, and if so, they would like to request Government to be pleased to revise their policy and allow the usual trade channels to function by granting them their quota of imports.

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## APPENDIX 4

### Amenities for Third Class Passengers

*Letter No.* 1480, *dated* 16*th June* 1945, *from Chamber to G. I. P. Railway, Bombay.*

I am directed to refer to your letter dated the 4th May 1945, addressed to Mr. Madhavlal M. Bhatt, representative of this Chamber on the Local Advisory Committee of your railway, forwarding a copy of a Memorandum received from the Railway Board on the question of amenities for third-class passengers in the post-war period, and desiring the views of my Committee on the same. The points raised in the Memorandum, both with reference to the specific issues mentioned by the Board and certain wider aspects pertaining thereto, have been considered by my Committee, and I am desired to send to you hereby their views on the same.

At the outset, my Committee would like to offer a few observations of a general character. Third-class passengers have always been the real patrons of the railways. Whether it is peace or whether it is war, they constitute nearly 96 to 97 per cent of the total passenger traffic carried on the railways. They contribute over 85 per cent to the earnings from passenger traffic. It is they, therefore, who really fill the coffers of the railways. One would have, therefore, expected the railways to have pleased their real patrons by responding to their proper requirements and real needs. It is, however, notorious that they have done nothing of the kind. The conditions under which the third-class passenger has to travel in this country are not only not human but are often such as are humiliating to our sense of self-respect. They have been worsened during recent years. In fact, the exigencies of the war have brought

about a state of affairs in which accommodation and facilities available particularly for third-class passengers have been curtailed to a considerable extent. The public reaction has been one of extreme resentment and there is a sense of frustration that the railways are exploiting their monopolistic position as public carriers and are quite unresponsive to public opinion and to the needs and requirements of the situation.

Even in normal times, the grievances of the third-class passengers have always been a sore point with the public. Invariably at the time of the discussion of the Railway Budget every year, this matter receives prominent attention and cut motions are tabled to ventilate the difficulties and grievances which require immediate attention. Even as far back as 1920 at the time of the Acworth Committee Enquiry, the complaints of the travelling public received prominent mention. The grievances were classified and several recommendations were made. Excepting some steps of a palliative nature, the problem was not tackled energetically or effectively, and the main grievances still continue.

Apart from the various improvements and facilities necessary to remove the grievances of the third-class passengers, there is one fundamental aspect which has to be emphasised in devising ways and means of dealing with this matter. The attitude of the Railway Administration and the railway staff, including subordinate elements, towards the third-class passengers has been one of patronising condescension, if not total indifference. They are just looked upon as a necessary evil. Their comforts and conveniences are not at all looked to. The incivility of the ordinary railway official towards the third-class passengers is a matter which has been a source of frequent complaints in the past. It is, therefore, necessary to bring about an entire change in the outlook in this regard. The railway officials and subordinate staff should be strictly enjoined to treat the passengers as their customers in a really commercial sense of the term and look to their needs, requirements and conveniences. In fact, they are referred to as "patrons" on American Railways. Bringing about such a psychological change in the personal relations between the railway staff and the third-class passengers is the most important factor in effecting improvements in the conditions of travel for that class over the Indian Railways.

Pursuing this aspect, it may be suggested that all the railway station staff including the station-masters should be strictly instructed to facilitate personal contact between themselves and the third-class passengers. Such a personal touch will remove the present feeling of aloofness and indifference. Their complaints should be attended to promptly. In the larger stations it is desirable to introduce a system of maintaining a special enquiry staff and of having trained men as public relations officers, who will move about station platforms and waiting rooms just half an hour or an hour before important trains are scheduled either to start or to arrive. Such a system, if my Committee remember rightly, was introduced some years back in certain stations of the B. B. & C. I Railway. The system of maintaining complaint books at important stations should also be introduced, so that passengers who feel aggrieved could immediately note down their grievances. The very fact that such complaints will be looked into by superior officers and explanations demanded when necessary will induce a feeling of greater earnestness among the railway staff, particularly the subordinate officials.

My Committee are making herein several suggestions regarding amenities both at stations and in the trains. They feel consideration of all these matters need not necessarily be treated as in the nature of post-war measures. Some of them could be given effect to immediately. In fact, a start may be made in certain selected stations and in regard to long distance trains, and all these measures need not wait the formulation of plans and programmes for post-war improvements. With these general remarks, my Committee would now proceed to give their detailed suggestions regarding amenities to be provided for third-class passengers.

(*a*) **Amenities at Stations—Waiting Facilities :**

2(i). Special importance should be given to cleanliness and sanitation. Even where facilities are in existence, it is regrettable to note that the waiting halls and other arrangements are not kept in proper sanitary and hygienic conditions. As an example may be cited the instance of even well-known stations of Bombay with filthy sanitary arrangements. This aspect should be emphasised in regard to any steps that the Administrations may take for improving the condition of these facilities. Spacious waiting halls with proper seating facilities should be made available in almost all the railway stations. In the case of junction and terminal

stations, the waiting facilities should take into account the necessity for a larger number of passengers who may have to wait for quite a considerable length of time for connecting trains, etc. It is necessary in the case of such stations to provide for special accommodation for retiring in the nature of retiring rooms for third class passengers. A small fee may be charged, if necessary, for the purpose.

The minimum accommodation available in the third-class waiting rooms should cover one-third of the total normal daily average of passengers passing through the station in question. The floor area in the waiting halls should allow a space of 4' x 4' per passenger. Attention should also be paid for providing proper facilities for stacking luggage in an orderly manner. Facilities in the waiting halls should include arrangements for the supply of adequate cool water for drinking, facilities for washing and in the more important stations for bathing purposes. Four taps are necessary for providing drinking water for every 100 waiting passengers and the number of taps provided at every station should be linked to the capacity of the waiting hall on the above basis.

In view of the social conditions obtaining in the country, provision of separate waiting facilities with necessary separate facilities for bathing, etc. for ladies should also receive equal attention.

Similarly at least six latrines per 100 waiting passengers should be provided. This would be in addition to the smaller latrines which may have been provided on the platforms for immediate use by passengers as distinguished from those in the waiting rooms.

2(ii). **Booking Offices:** In all junctions and the more important stations, booking offices should be kept open for all the 24 hours. In wayside stations of minor importance, the offices should be kept open sufficiently in advance of the arrival of the trains. The present practice of opening booking windows just a few minutes before the time scheduled for the arrival of trains leads to considerable inconvenience and rush at the windows, with the result that many poor passengers forget to take their change back or are in the hurry and bustle given less money than what they were due to receive. The number of booking windows should also be suitably increased in stations where traffic necessitates and justifies the same. The provision of separate windows for ladies is essential. Behind each booking window, some sort of barricad-

ing which would regulate one-way movement of passengers is necessary. The station staff should also have strict instructions to keep sufficient small change with the booking staff, so that there may not be any delay on that account and, as happens sometimes, passengers may not be refused issue of tickets on the excuse of lack of such change.

2(iii). **Platforms:** High-level and covered platforms which give adequate protection both from sun and rain are essential for all the railway stations. The present practice of not having any platform for wayside stations, which are considered unimportant, should be discontinued. In such cases, the platforms need not be as long as in the more important stations; but a platform should be considered a *sine qua non* for every railway station. Foot-bridges should also be covered. Ramps with some sort of strips to prevent slipping should be provided in passages and ways leading to platforms and over-bridges in preference to steps.

Adequate sitting accommodation should also be provided on the platforms. At present excepting junctions the passengers are obliged to wait standing for all the time on platforms. In addition, there should also be proper facilities for ingress and egress of passengers. Separate entrances and exits should be provided at almost all the stations.

In the case of smaller stations, where it may not be considered feasible to provide covered platforms for whole lengths, covering should be at any rate available just in front of the station premises and so far as the rest of the platform is concerned trees may be planted so that in course of time the same will provide some shelter from the sun.

2(iv). **Washing and Bathing Facilities:** Over and above the washing and bathing facilities attached to the waiting halls in junction and terminal stations, there should also be facilities in almost all the important platforms for washing and bathing for emergent use of persons actually on the trains and on the platforms. At present this facility is not available in almost all the stations, including even some of the junctions.

Even where facilities are provided complaints have been heard about the practice of locking the bathrooms, the keys being retained with the station-masters and about difficulties experienced by passengers in getting such rooms opened. The practice of locking

bathrooms and leaving the keys with the station staff should be discontinued.

**General:** Special emphasis should be laid in regard to sanitary arrangements. Filth and dirt should not be allowed to accumulate. Proper arrangements for sweeping, cleaning and washing at frequent intervals should be enforced. The mere provision of accommodation, without attending to its up-keep, in fit and hygienic condition will not help to improve the amenities at the railway stations.

**(b) Amenities in trains:**

3(i). In the first place special attention should be paid to designing a third-class coach, which takes into account the hygienic and sanitary requirements in relation to the climatic conditions here. The coaches should be well lighted and well ventilated, and the windows and doors should be so laid out and constructed as would prevent, as far as possible, the outside dust coming in. My Committee suggest that the plan for such a coach may be designed and submitted for approval and for eliciting public opinion. The arrangement should be such as would facilitate the lavatories being segregated at one end of each coach, being at the same time easily accessible. The advisability of introducing corridor type of coaches on the Indian railways may well be considered. Third-class passengers should also be provided separate facilities in the train for washing. All these factors should be taken into consideration while designing the new standard coach for third-class travel. As stated above, the design of a model coach should be preferred in the light of above and such other criticism the railway may receive should be circulated for eliciting public opinion.

Apart from providing sufficient accommodation in trains, the desirability of providing sleeping accommodation for third-class passengers, especially in long distance trains should not be overlooked.

The lighting arrangement in the coaches should be such as would enable the passengers to move about and see things distinctly during night time and sufficient for reading purposes. Electric fans should also be provided. A start may be made with long-distance trains, the facility being extended to all trains gradually as and when supplies of fans are more easy to procure. The Nizam State Railway is already providing fans for third-class passengers.

**Carrying Capacity:** This query can only be answered after having an exact idea of the size of the coach. In any case, over and above such sufficient space which would enable a passenger to sit comfortably and facilitate easy movement of limbs, normally, in the case of long-distance passengers the capacity of a coach should be so determined as to permit of larger space for passengers enabling freer movement and proper relaxation during the course of the journey. Third class passengers are human beings. They require as much rest as passengers travelling in higher classes. The coaches should, therefore, be so designed and their capacity to carry passengers on long-distance journeys should be so determined as would enable the third-class passengers to have fair and proper relaxation at night. The present standard of seating accommodation for journeys at night is obviously inhuman and it shall have to be replaced by a standard of accommodation more humane and more commodious to enable the traveller to bear the strain of journey without exhaustion.

(ii) Apart from providing an adequate number of latrines the point about their cleanliness and their being segregated at the end of a coach in such a manner as not to cause any unpleasantness to the passengers, should receive attention.

(iii) Unless the corridor type of coaches are introduced, longitudinal seating arrangements should be preferred.

(iv) The width and depth of passage between seats should be suitably increased. The dimensions, viz. 21" (width) x 19" (depth) suggested are alright. At the same time greater attention should be given for the provisions of facilities for stacking luggage. At present the upper bunks available in third-class coaches are not sufficient to carry the full complement of the luggage of the passengers.

(v) In the long-distance trains the normal seating capacity of the coaches should be so adjusted as to allow every passenger opportunity for proper relaxation. While my Committee do not favour the provision of sleeping accommodation by introducing two or three tiers of bunks in the normal coaches, the provision of a separate sleeping van for third-class passengers, with a nominal surcharge for sleeping hours, may well be considered.

4. The catering and other arrangements for the convenience of passengers, both in the trains and on platforms, leave much to

be desired. The existing system of appointing vendors and caterers has given high prominence to profit motive. The catering rooms and stalls are not unfrequently auctioned and given to the highest bidder. This practice should be altogether discontinued. At best a nominal rent should be charged for the provision of the accommodation. My Committee would even prefer that the accommodation should be made available free of any charge.

There should be a strict system of inspection, price regulation and imposition of standards for the maintenance of quality in respect of these stalls and refreshment rooms. The old controversy of the suitability of local contracts in preference to area contracts should also be gone into fully and as far as possible contracts for long areas and full lines should be avoided.

The possibility of introducing departmental catering in the more important stations should be investigated. This system has its own advantage, in that the profit motive is less present and the standard of catering will to that extent bear more actual relation to the charges therefor. It would appear that in certain sections in the S.I. Railway and the M. & S. M. Railway, third-class catering is being done successfully departmentally. This system may be tried and gradually extended on other railways.

The provision of dining cars for third-class passengers in long distance trains requires attention. There are small refreshment cars in some trains at present. But the facility should be expanded into full-fledged dining cars. A start may be made with the main mail trains over the different railways. Facilities for providing drinking water should be considerably increased. The practice of making available water in portable carriers should be introduced in all the important stations.

It is desirable to appoint a Care Taker for each running train, particularly for long distance trains. It should be the duty of such an official to look to the needs and comforts of the third-class passengers, arrange for their necessities and convenience and see that their travel requirements are attended to properly. There are such officials at present for upper-class travel in some of the trains. Normally persons resorting to upper-class travel may be expected to get their needs attended to even by the station staff. The services of such an officer are necessary more in the case of third-class travel-

lers and a system of appointing Care Takers for all the Mail-trains over and above the Guards may well be introduced.

"In conclusion, my Committee presume that you had asked our representative to be armed with our views so that he might take effective part in the preliminary discussions which, it is understood, will take place on the proposals of the Railway Board at the meeting of your Advisory Committee. My Committee, however, hope that when the Railway Board have reached their provisional conclusions after hearing from the different Railways, that Board will, as usual, consult officially this and other Chambers on the provisional conclusions that they might thus reach and invite them to submit a detailed Memorandum on the various aspects of this question affecting the amenities at stations and the amenities necessary for the third-class passengers. In any case, in anything that they do, my Committee would like to repeat that it is essential that a psychological change in the attitude of the Railway Administration towards the travelling public should be brought about. Want of proper travelling facilities which are essentially needed naturally engender a feeling of bitterness in the third-class passenger. This bitterness is aggravated in view of the treatment he receives and the manner in which he is ignored by the Railway Administration. Courteous personal attention and a willingness to serve and help the third-class passenger is bound to assuage his bitter feelings. My Committee have no doubt that this vital aspect of the question will receive the attention that it deserves. It is not only necessary to provide proper amenities and facilities, but is also imperative that such amenities and facilities as are provided and maintained in an efficient way and kept up to the proper standard. My Committee hope that the suggestions which they have made in this communication will receive your careful consideration.

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## APPENDIX 5

### Difficulties relating to Railway Travel

*Telegram dated 30th May 1945, from Chamber to War Transport Department.*

"Committee Indian Merchants' Chamber seriously concerned with the continued deterioration in the position regarding conditions of railway travel in the country. They are addressing this

communication with reference particularly to the appalling situation at present obtaining over B. B. & C. I. Railway. Notwithstanding repeated representations and protests made by public bodies including this Chamber, no tangible and effective steps seem to have been taken to improve situation. Trains continue to be scandalously overcrowded and yet same railway fare has to be paid by passengers of all classes without their getting accommodation to which they are legally entitled. Moreover, difficulties connected with securing tickets for railway travel and booking accommodation defy solution notwithstanding several makeshift arrangements made by railways from time to time. Committee constrained to observe that in any other country continuance of such conditions for any length of time would have created a first-class public issue necessitating complete overhaul of railway administration. Even now Committee suggest that the authorities should take steps to meet situation boldly and spare no efforts for increasing facilities available for travel. As a first step to ease situation, the Kathiawar Express may be restored and additional accommodation may be provided in all trains. This would ease situation atleast to some extent and inspire confidence in public mind that railways have after all awakened to their responsibility. Committee feel that it cannot be beyond the capacity of existing resources of railways both in regard to engines and bogies to arrange for the running of this additional train and finding of this additional accommodation. Committee request your immediate and careful attention to this matter.

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## APPENDIX 6

### Special forms for obtaining tickets for Upper Class Passengers on the B. B. & C. I. Railway

*Letter No.* 1333, *dated* 31*st May* 1945, *from Chamber to General Manager, B. B. and C. I. Railway, Bombay.*

The attention of my Committee has been drawn to a Form, recently introduced by your railway administration, in which prospective railway passengers for Upper Class travel are required to make a declaration when applying for tickets, to the effect that the persons for whom they were buying the tickets were "desirous of travelling and give an undertaking that neither they nor

anybody else will make any gain by trafficking in the tickets that will be supplied pursuant to this declaration". My Committee wish to take very strong objection to this practice of taking a declaration from *bona fide* passengers. They would like to know if there is any Section of the Railway Act which justifies the imposition of an obligation which is obviously against public policy. The railways are a public utility service and are maintained and run for meeting an essential public need. It is not fair to treat all passengers as members of a racket desiring to outdo the railway administration by taking advantage of the present emergency and resort to trafficking in railway tickets. Railways must think of other steps for eliminating any malpractices which they may fear in connection with the issue and distribution of tickets. They cannot put respectable railway passengers to the humiliation of being obliged to make or subscribe to unwarranted declarations of the kind under reference.

My Committee feel very strongly on this point and request you to arrange for the withdrawal of the system and to see that the Upper Class passengers are not compelled to sign the same.

*Letter No.* 1|11|*C.I.*-45, *dated 9th June* 1945, *from General Manager, B. B. and C. I. Railway to Chamber.*

I have given your complaint careful consideration and would point out that the form referred to was introduced as a safeguard to the public themselves, and I consider that it should be maintained in the interests of the passenger.

I notice that your objection is that *bona fide* passengers should be compelled to execute such a declaration, and that you consider it as derogatory to their status as respectable citizens.

It is pointed out that many persons are in the habit of sending for tickets and do not attend the Booking Office to purchase them themselves, and it is to prevent any third party from slipping in under the pretence of such a transaction that this form has been introduced.

In the case of well-known persons, telephoning or making direct purchases of their ticket for journeys which they obviously intend making themselves, discretion will be exercised.

*Letter No. 1476, dated 14th June 1945, from Chamber to B. B. and C. I. Railway.*

Your letter No. T|11-C1|45, dated the 9th June 1945 on the subject of reservation of berths has been carefully considered by my Committee and I am now directed to offer the following observations :

My Committee cannot agree with your view that the introduction of the form in question is intended to safeguard the interests of the passenger. If proper facilities are provided for by the authorities to enable the passenger to buy his ticket, his interests would be fully safeguarded. The procedure that is now adopted, my Committee are constrained to remark, is the result of the inability of the Railway authorities to meet the situation that has arisen. To call upon *bona fide* passengers to sign a declaration which is likely, in certain cases, to create difficulties and lead to their harassment, can hardly be considered a step taken to protect their interests. My Committee, therefore, maintain that the signing of the declaration that is proposed, is not only morally unjust, but is practically undesirable.

My Committee are surprised to note from what you have stated in the third para of your letter that it is considered essential that those who want to buy tickets should present themselves in person for doing so. Evidently, your Administration, therefore, does not like them to send their Secretaries or Assistants or their servants to buy tickets on their behalf. It seems that this practice is the main reason for introducing the form in question. My Committee must point out, in this connection, that you cannot expect busy men to attend the Ticket office and stand for hours together for reserving their berths. Moreover, the practice of sending friends, agents or Secretaries or Clerks and even peons to buy tickets is now a new one. This is done all the world over. Such organisations as Messrs. Thos. Cook & Son, the American Express Co., Messrs. Jeena & Co., and others have been buying tickets in thousands on behalf of intending passengers. To introduce this undesirable and humiliating form on the ground that passengers do not attend in person is to show that such a leading administration like the B. B. & C. I. Railway is not aware of the technique of buying tickets which obtains in all civilised countries of the world. My Committee cannot believe for a moment that your organisation

is unaware of this technique. They, therefore, hope that the objectionable form will be withdrawn without any further delay.

As regards the last paragraph, my Committee are surprised to note that discrimination is going to be justified on the ground that the person telephoning or making direct purchase is a well-known person. My Committee do not know how the railway administration or the Booking Clerk is going to decide that the person telephoning is a well-known person. Apart from the objectionable nature of the principle thus indicated, my Committee must bring to your notice the fact that the Reservation Office does not book berths merely on a well-known person, leave aside the commoner, telephoning to him. My Committee regret to add that they cannot be a party to a public utility company introducing a policy of discrimination in its administration particularly in connection with such a vital matter as the issue of tickets, where all are expected to be accorded uniform and equal treatment.

*Letter No. T/11/CI-45, dated 26th June 1945, from B. B. and C. I. Railway to Chamber.*

Due consideration has been given to the points raised in your above letter and, as the value of the form has been proved, it is intended to continue its use, which, it is considered, is of benefit to the travelling public.

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## APPENDIX 7

### Reservation of Berths for Steamers by the Port Trust

*Letter No. 3104, dated 14th November 1945, from Chamber to Bombay Port Trust.*

The attention of my Committee has been drawn to the fact that cargo brought by steamers from abroad is being discharged in more than one shed, although sufficient space is available at one shed. For instance, my Committee are informed that the s.s. "Nadir" arrived here some 20 days ago and she discharged part of the cargo at M. & O. Shed, Princess Dock ; a part at No. 8 Shed, Victoria Dock and the remaining at No. 9 Shed, Victoria Dock, although sufficient space was available at the first-named shed. It will be realised that for consignees to clear cargo from three sheds is not only very expensive and adds to their overall cost, but also puts them to a great deal of unnecessary trouble and labour.

My Committee would, therefore, point out that whatever justification there might have been in the past for such a practice for giving priority for loading and unloading urgent military cargo, this practice must not be continued hereafter, as the same causes great inconvenience and loss to the trade interests. We would, therefore, urge upon you the necessity for arranging that one steamer unloads in one shed only and is not made to unload in several sheds, as in the case referred to above. It is upto the Port Trust to see that the steamers are berthed in such a manner as would not necessitate unloading in more than one shed.

*Letter No.* 5210, *dated 6th December* 1945, *from Port Trust to Chamber.*

With reference to your letter No. 3104, dated 14th November 1945, I am directed to say that vessels with part cargoes of ammunition and general goods have of necessity to split their cargoes for discharge at several sheds.

I am to state that the ammunition is, as far as possible, discharged in stream, but some general cargo has also to be dealt with at the same time. The latter is sent either to the Princess and Victoria Docks or to the Bunders, as space is available. Thereafter, the steamer is brought into dock to land the remainder of her ammunition and general cargo. Such ships are required to be berthed at selected berths only.

I am to assure your Chamber that every endeavour is made by the Port Trust to avoid distribution of a ship's cargo over more than one shed, which causes considerable inconvenience to the working of the Docks Department also, and that with the reduction of imports of dangerous cargo the position will improve.

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## APPENDIX 8

### Bunkering of Coal for Steamers Chartered by the Principal Sea Transport Officer

*Letter No.* 3288, *dated 5th December* 1945, *from Chamber to Commerce Department, Government of India.*

I am desired by my Committee to address Government on the question of arrangements made for bunkering of steamers leased by Government for Departmental use and particularly by the Principal Sea Transport Officer. They would like to be furnished with

detailed information regarding the procedure followed in respect of such bunkering and as to whether any definite lines of policy have been laid down in regard to this matter.

In this connection, they understand that during the war the Ministry of War Transport, United Kingdom, had accepted the "History" principles for purposes of arrangements for bunkering of steamers chartered or leased out by them, whereunder, such bunkering work was entrusted to the channels through which the same was done by the original owners of the steamer prior to the war. Such a practice, my Committee understand, ensured the maintenance of the normal channels of trade so far as bunkering work was concerned.

My Committee have received complaints from interests representing the coal trade that the same principle or practice is not observed by the Principal Sea Transport Officer here so far as ships leased out by him are concerned. Whatever may have been the justification for the Principal Sea Transport Officer making his own arrangements for bunkering work in the past, now that the war has ended, it is but fair and proper that steps should be taken to see that the normal trade channels are restored in this sphere of activity. The Bunkering Contractors who had entered into arrangements with the owners of the vessels for bunkering their steamers should be allowed to bunker for such vessels even when they are taken on lease by the Principal Sea Transport Officer. By adhering to such a practice, Government will not in any way be inconvenienced; at the same time, normal trade channels, so far as bunkering work is concerned, will be maintained and the established interests in that trade will thus be preserved. My Committee feel that such an arrangement would be fair and proper from all points of view and, as far as they can appreciate, there is no reason why Government should not follow the same.

My Committee request that Government will be pleased to give this matter their sympathetic consideration and pass orders to the effect that bunkering work in respect of steamers leased for Governmental use by the Principal Sea Transport Officer or by any other governmental department should be entrusted to the normal channels of trade, i.e. parties who have bunkering arrangements with the original owners of the vessels in question.

*Letter No. 130 M.T.W.1/39, dated 15th March 1946, from Commerce Department to Chamber.*

With reference to your letter No. 3286, dated the 5th December 1945, regarding bunkering of vessels hired by Government, I am directed to say that as from the beginning of this year the Principal Sea Transport Officer is understood to have adopted the "history" principle in the matter of bunkering. I am to enquire whether the present position is considered satisfactory.

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## APPENDIX 9

### Rail-Road Co-ordination Scheme in the Bombay Presidency

*Letter No. 2561, dated 28th September 1945 from Chamber to Home Department, Government of Bombay.*

The attention of the Committee of this Chamber has been drawn to a press note issued by the Government of Bombay in connection with rail-road co-ordination scheme for the province of Bombay. It would appear from the press note that the authorities have in view the question of co-ordinating the rail and road transport in the presidency on a zonal basis, dividing the province into 11 different zones—3 in Gujerat, 5 in the Deccan, 2 in the Karnatak and 1 in the Konkan. Each zone as specified above would be operated by a limited company with a share capital to be divided, as stated in the press note, among the present operators, railways and Provincial Government and the promotors of the company.

My Committee have very carefully considered the details of the scheme, with the interests likely to be affected, as adumbrated in the press note, especially that aspect of it which deals with the long-term of rail-road co-ordination, and are constrained to observe that, in principle, they are opposed to the proposal that the Railways and the Provincial Government should have any financial interest in the road transport services. They feel that private enterprise should have free scope in operating the services and they, therefore, are of the opinion that the present owners should be allowed to continue to own and operate these services as in the past, with, however, such controls and regulations as would be found necessary from time to time in the interests of the travelling public. My Committee would, however, like to add in this connection that, if in future it is found from experience that the efficiency and regu-

larity of the services were likely to suffer because of the private monopolistic nature of the services, Government might, in the light of the experience they would gather, consider what steps would be necessary to secure a healthy development of the services ; to achieve this object, they would like to suggest that an element of competition might be introduced to bring about regularity and increased efficiency in the services.

In order that the services may run on proper and healthy lines, and thus satisfy the interests both of the travelling public and the transport service under private control and ownership as it exists, it would be found necessary in the long run, my Committee feel, to institute a Body or an *ad hoc* Board charged with the responsibility of bringing about a unified control for securing the co-ordinated development of road service. The details regarding the personnel, powers, etc. of the Board are matters of detail and might be left to be discussed at a later stage. This Body would be empowered to decide mainly the question of rates and fares as also other relevant issues that might arise from time to time.

My Committee, in conclusion, under the present circumstances, are of the opinion that they would favour the co-ordination of rail and road transport as indicated above, without either the Railways, the Provincial Government or the promoters of the company having any financial interest in the scheme.

*Letter No. 8659/4-E, dated 15th October 1945, from Home Department to Chamber.*

With reference to your letter No. 2665, dated the 29th September 1945|1st October 1945, I am directed to state that the Government of Bombay has already decided to proceed with the Rail-Road Co-ordination Scheme in this Province as announced in its Press Notes issued on the 12th June 1945 and 5th October 1945. Government, therefore, regret that it cannot accept the suggestions made by the Committee of the Indian Merchants' Chamber.

## APPENDIX 10

### Rounding off of Railway Fares to the nearest One Anna

*Letter No. 2112, dated 10th August 1945, from Chamber to Railway Board, New Delhi.*

My Committee are given to understand that the Railway Board has recently issued instructions to the individual railway adminis-

trations to the effect that in future they should charge on local service a minimum fare of one anna and that the fares should be rounded off to the nearest anna. If this information is correct, my Committee wish to express their strong disapproval of the proposal.

Fares were formerly adjusted to a minimum of one pice; later on they were raised to half-an-anna, and subsequently on the ground of shortage of small coins the same were rounded off to the nearest anna. The coin position is understood to have considerably improved; in fact, the Reserve Bank of India recently stated that they had now a fair supply of small coins. There is, therefore, no justification for introducing a permanent change for doing away with fares less than an anna and for rounding off the same to the nearest anna. The step in question if enforced will mean that the authorities are resorting to this expedient for bringing about an actual increase in the fares obtaining at present. When there is already a feeling of dissatisfaction that public do not get a fair return for the charges paid for railway travel, because of the extremely unsatisfactory conditions obtaining at present over the railways, any such move to increase the fares in the shape of rounding off of the same to the nearest anna will be greatly resented.

My Committee, therefore, request that the Railway Board will be pleased to give this matter their early consideration and if any such proposal is under contemplation, the same should be abandoned. They will be glad to have a reply at an early date.

*Letter No. 4304-TC, dated 8th October 1945, from Railway Board to Chamber.*

With reference to the correspondence resting with the Railway Board's letter No. 4304-TC, dated the 30th August 1945, I am directed to state that the minimum third-class fare over the Bombay Suburban Sections of the B. B. & C. I. Railway and G. I. P. Railway has, the Railway Board understand, been raised to one anna with a view to discouraging short distance travel of less than one mile. This step was considered necessary in the interest of the majority of the suburban passengers who travel longer distances and for whom railway conveyance is a necessity. The other reasons which led to the enhancement are stated to be as under :—

(i) The charge for a platform ticket is one anna, and it is anomalous that the charge for a journey by train should be less than this. This leads to persons purchasing half anna tickets and using them as platform tickets.

(ii) The minimum fare by bus or tram is one anna and Railways would be fully justified in charging a similar minimum fare.

2. In the circumstances, the Railway Board regret that they are unable to see their way to ask the B. B. & C. I. and G. I. P. Railways to revert to the old minimum third-class fare of half-an-anna over their Bombay suburban sections.

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## APPENDIX II

### Resumption of Passenger and Cargo Service by Steamers

*Letter No. 2469, dated 19th September 1945, from Chamber to Controller of Indian Shipping, New Delhi.*

The attention of the Committee of this Chamber has been drawn to a Resolution passed by the citizens of Bhavnagar, Jafrabad, Div, Mahuva, Nara Bunder, Cutch, etc. at a public meeting held in Bombay recently in connection with the above subject.

After the outbreak of war in 1939, the Government of India requisitioned most of the vessels plying between Bombay and the various ports on the Western coast, viz. Gujarat, Cutch, Kathiawar, the Konkan, etc., carrying passenger and cargo. This they justified on the ground that these vessels and crafts were required for defence and war purposes. The travelling public from Bombay to these ports were, as a result, denied the usual facilities of travelling by steamers and thus suffered severe hardships during all these years. The route scheme that was introduced during the period of the war also led to great difficulties in transporting goods from one port to another. Representations to release at least some of the ships to enable passengers travelling from Bombay to the various ports referred to above were made on a number of occasions in the past when the congestion and strain on the railways had been severe. Government, however, had not been in a position to accede to the public request, especially when the war was on. The Committee of the Chamber, however, now feel that, with the cessation of hostilities, it should be possible for Government to release a considerable number of these steamers for the benefit of the travel-

ling public from Bombay ; and they therefore request the authorities to release the required number of vessels for the carriage of passengers and cargo from Bombay to the different ports, as well as between the ports *inter se*.

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## APPENDIX 12

### Transport of Oilseeds to Panvel Taluq

*Letter No. 2022, dated 2nd August 1945, from Chamber to Director of Civil Supplies, Bombay.*

I am directed to address you in connection with the difficulties experienced by the oil mills at Palaspa—Taluq Panvel—District Kolaba, in securing oilseeds for crushing oils.

The oil mills under reference are owned by Messrs. N. R. Jethalal & Co., Panvel, who have represented to my Committee that it has become very difficult for them to secure transport of oilseeds from different centres to their end owing to non-availability of railway bookings.

In this connection my Committee would like to draw your attention to a similar difficulty which was experienced by the oil millers in Bombay in 1942 who were not able to secure stocks of oilseeds for their mills for crushing purposes owing to lack of transport facilities. At that time Sir H. F. Knight, Advisor to the Government of Bombay had kindly invited the Chamber to discuss personally with him such transport difficulties ; accordingly a representative of the Committee of the Chamber had placed then the difficulties of the oil mills in Bombay to secure adequate transport of oilseeds for their mills. As sufficient transport was not available then, the Government of Bombay advised the Department of Civil Supplies to allot definite quotas of oilseeds for supply to the various oil mills in Bombay. This arrangement is working at present.

My Committee feel that the grievance of Messrs. N. R. Jethalal & Co. is genuine as the mills in Panvel are unable to secure groundnuts and consequently the district catered by them with regard to supplies of oil suffers. My Committee, therefore, feel that it would be desirable to bring the mills in Panvel under a similar arrangement as the oil mills in Bombay and definite quotas of oilseeds made available to them with the necessary transport

priorities to enable these mills to secure the necessary seeds for their crushing purposes.

*Letter No. 48/14940/IV-A, dated 11th August 1945, from Director of Civil Supplies to Chamber.*

With reference to your letter No. 2022, dated the 2nd August 1945 on the above subject, I am directed to state that Bombay is by far the largest crushing and manufacturing centre and it has been decided by Government that all imports from Hyderabad and Madras against quotas sanctioned by the Governments of these two areas should be directed to Bombay. For this purpose fortnightly wagon allotments are made by the Regional Controller of Railway Priorities, Bombay. Even then, however, the actual movement is very unsatisfactory as wagons recommended by the Regional Controller of Railway Priorities are hardly made available to the full extent of the allotment. Under the circumstances, mills in the rest of the Province are advised to secure seed supplies from districts within the Province.

No shortage of groundnut oil in Kolaba District has been reported to Government. The mills at Palaspa in Kolaba District may, therefore, be advised to secure supplies of seeds from districts in the Province and for assistance for wagons, they may apply to the Secretary, Board of Transport, Finance Department (Supply) Bombay, through the District Magistrate, Kolaba.

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## APPENDIX 13

### Movement of Tobacco from Guntur to Bombay

*Letter No. 1395, dated 7th June 1945, from Chamber to Board of Transport, Government of Bombay.*

Messrs. Golden Tobacco Co., who are well-known manufacturers of cigarettes, have forwarded to my Committee the correspondence they had with you and with the Regional Controller of Railway Priorities on the question of movement of Tobacco from Guntur to Bombay.

It would appear from the correspondence under reference that their average monthly consumption of tobacco is to the extent of about 1½ lakh lbs. and they have not been able to stock supplies of the kind, which they have been using since the last 10 years.

The restrictions on the free movement of tobacco were placed some time during the month of October 1944 ; the company, however, came to know of these restrictions only as late as the end of April 1945. Under the circumstances, they could not move their stocks which they had already purchased from the producing centre to Bombay.

It has been suggested to them that the tobacco might be brought to Bombay by sea-cum-rail route. My Committee would, however, like to point out in this connection that the monsoon has already begun and that it would not be possible for them to move the article by sea-cum-rail route and they will be obliged to bring it by railway. Under the circumstances, the Committee beg to suggest that you will kindly consider the case sympathetically and allot reasonable number of wagons to enable them to continue their work and thus fulfil the requirements of their clientele.

*Letter No.* 2304, *dated 6th September* 1945, *from Chamber to Regional Controller of Railway Priorities, Bombay.*

Messrs. Maple Tobacco Co. (India) Ltd., Bombay, who are a member of this Chamber, have forwarded to my Committee a copy of their letter of the 25th July 1945, addressed to you asking for priority assistance for the movement of tobacco from Guntur to Bombay. They had requested that they might be given three wagons monthly for meeting the requirements of their manufacturing activities.

Movement of tobacco by rail from Guntur to Bombay was in the past restricted with a view to diverting the traffic to sea-cum-rail route. In this connection, the Maple Tobacco Co. have forwarded to my Committee the accompanying copy of a letter received by them from the Agricultural Entomologist to the Government of Bombay, in which he has expressed the opinion that under the existing conditions of packing obtaining here sea transport is not suitable for moving tobacco as the absorption of moisture will lead to deterioration in quality and insect development. In view of this, there is all the more reason for taking steps for assisting the movement of tobacco by rail.

My Committee support the case of the applicants and request that you will be pleased to give them the necessary assistance and arrange with the Regional Controller at Madras for allotting to them their monthly requirement of wagons.

## APPENDIX 14

### Back-railing of Cotton from Bombay to Mill areas in Gujerat and Malwa

*Letter No.* 2540, *dated 24th September* 1945, *from Chamber to Cotton Movements Committee, Bombay.*

I have to invite the attention of your Committee to the representation addressed to them by the Bombay Cotton Merchants and Muccadams Association, Ltd., Bombay, on the 6th September 1945, on the above subject. The Association have referred therein to the present restrictions on the back-railing of cotton from Bombay to Mill areas in Gujerat and Malwa. The Order was promulgated under the exigencies of war to save wagon mileage for military purposes. The Committee of this Chamber no doubt appreciate the viewpoint of Government in bringing into force this Control Order. The conditions then existing at the time of the promulgation of the Government Order justified such restrictions on the ground of inadequacy of transport. But now that the war is over, the Order has outlived its utility as the pressure of military traffic has decreased to a very great extent. Besides, there is a general easing of transport conditions as evident by the withdrawal of many Controls which were brought into existence at the beginning of the war.

There is another reason why my Committee would emphasise the removal of the above restriction. They are given to understand that the stock of cotton lying in Bombay is more than what can be consumed locally. Such stocks, under the circumstances, could profitably be diverted to other areas where they are in demand. They, therefore, feel that the over-stocked position of cotton in Bombay would be relieved if the above restrictions are withdrawn and cotton is allowed to be back-railed to areas as suggested above. It is hoped that the request contained in the representation of the Bombay Cotton Merchants and Muccadams Association, Ltd., will receive favourable consideration.

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## APPENDIX 15.

### Changes in the Priority List for Movement of Goods

*Letter No.* 1288, *dated 24th May* 1945, *from Chamber to Regional Controller of Railway Priorities, Bombay.*

It has been pointed out to my Committee that from the 1st of this month, a list of new priorities for movement of goods has

been introduced, under which private movement of foodgrains is placed under Class VI(1). Till now, movement of foodgrains and food products when consigned by Government agencies authorised for the purpose, such as Food Commissioner, Food Controller, etc. was classed III(a), while movement of foodgrains consigned by private parties was classed under III(b). Thus, private movement of foodgrains and food products came, for purposes of priority, next in order to official movement of foodgrains. According to the revised priority list recently issued, however, my Committee are informed, an important change has been made in the above arrangement and private movement of foodgrains is placed under Class VI(1). This would mean that private movement will get a very low priority, with the result that persons interested in the movement of such grains will find practical difficulties in arranging for the necessary transport in time.

It is pertinent, in this connection, to point out that official movement of foodgrains is mainly concentrated in regard to basic cereals, which are rationed and the procurement and distribution of which are arranged mainly through Government channels. There are, however, many other items of foodgrains and grain products which are essential for meeting the civil requirements of the population in different parts of the country, and the handling and distribution of which still continue to be mainly a matter of private initiative. It will lead to undesirable difficulties if the movement of such goods are disorganized as a result of the low priority given to private movement of foodgrains and products under the revised list. My Committee, therefore, earnestly urge that private movement of foodgrains and products should also receive as high rate of priority as possible, and should preferably be placed next in importance only to official movement of food supplies.

In this connection, the Navjivan Roller Flour Mills, Ltd., Dohad, which owns a factory there for producing gram products, gram flour, gram dall, etc. has drawn the attention of my Committee to the serious difficulties which they are experiencing by the revised priority conditions. Their products are also essential foodstuffs ; but after the classification of private movement of foodgrains under VI(1), they are feeling considerable difficulty in securing transport for the movement of their products. Under this classification, they will very rarely get the chance of being supplied with the necessary wagons in time, with the result that they have

now nearly 2,000 bags lying accumulated with them, meant for despatch to various upcountry consuming ends. It may, in this connection, be pointed out that the movement of their goods is based on a local control exercised by the District Magistrate there and they are allowed to export their products only on the basis of permits granted by the authorities. This condition, they claim, should entitle their consignments for being treated under Class III(a) as essential foodstuffs moved under official direction. In any event, the present classification of VI(1) for movement of private foodstuffs should be changed and a much higher priority given for the movement of the same.

It is requested that you will be pleased to look into the matter and take early steps with a view to facilitating speedier movement of foodgrains and products consigned by private parties.

*Letter No.* 3360, *dated* 13*th December* 1945, *from Chamber to Regional Controller of Railway Priorities, Bombay.*

I am directed to invite a reference to my letter No. 1288, dated the 24th May 1945 on the above subject, wherein my Committee had urged the desirability of making certain changes in the Priority List, with a view to affording movement of foodgrains and food products on private account a higher rating of priority. In this connection, they have seen a copy of the revised edition of the Priority List as in force from 15th October 1945. Under that list movement of foodgrains and foodstuffs and similar essential goods authorised by the appropriate Department of the Central or Provincial Government, etc. is placed under Class II. Movement of "essential foodstuffs" which does not come under Class II, i.e. movement on private account, is however placed under Class V. In the result, private movements will get a very low priority and practical difficulties will be experienced in arranging for the transport of such movements in time.

The pressure on transport on account of the War may be deemed to have considerably easened. There is no longer any justification to rigidly relegate all private movements to the background, and as a matter of course confer a higher rating of priority only to movements authorised under official auspices. In the case of foodstuffs, the claim for a reconsideration of the rating position is irresistible. My Committee, therefore earnestly urge that the War Transport Department will be pleased to review the matter and

arrange that private movement of foodgrains and food products also receive as high a rate of priority as possible ; private movement should be placed immediately next in order of importance to official movement of foodstuffs. It is requested that you will be pleased to give this matter your early and sympathetic attention.

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## APPENDIX 16

### Movement of Gunny Bags from Bombay City and Suburbs

*Letter No.* 3052, *dated* 20*th September* 1945, *from Chamber to Director of Civil Supplies, Bombay.*

I am directed to refer to the Notifications issued by the Government of Bombay, dated 10th November 1943 and 24th December 1943 prohibiting movement of new gunny bags by rail, road or sea from the Bombay City and Bombay Suburban District to any place in India except under a licence granted by the authorities concerned.

My Committee beg to point out that the control on free movement of new gunny bags out of Bombay has caused considerable hardship to the trade concerned as also to the consumers outside Bombay who were long since accustomed to secure their requirements of such bags from dealers in Bombay. Besides Bombay has been an entrepot centre since long responsible for supplies of gunny bags to the surrounding areas in the pre-war period.

Moreover, under the existing procedure regulating movement of jute goods, Bombay gets the requirements of new gunny bags direct by sea. The needs of mofussil centres, particularly of places where the demand is not sufficient to justify direct movement by rail in wagon loads, can be more satisfactorily met if movement from Bombay is allowed without restriction.

They, therefore, beg to urge that Government will be pleased to remove the control on free movement of new gunny bags outside the Bombay City and Suburbs in the interest of the trade and the consumers outside Bombay and Suburban limits, as the war conditions which necessitated such control no longer exist.

*Letter No.* 425/*III, dated* 19*th November* 1945 *from Director of Civil Supplies to Chamber.*

With reference to your letter No. 3052, dated the 8th instant, I am directed to state that the question regarding the removal of the ban on the export of new empty jute gunnies out of Bombay

City and Bombay Suburban District is already under the consideration of the Government of Bombay.

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## APPENDIX 17

### Transport Facilities for Movement of Dates

*Letter No.* 3202, *dated* 29*th November* 1945, *from Chamber to G. I. P. Railway.*

The attention of the Committee of this Chamber has been drawn to a communication dated 6th November 1945 addressed to you by the Bombay Kharek Bazar and Mewa Merchants' Association, on the question of transport facilities for despatching dry and wet dates, dry fruits, etc. from Bombay to upcountry centres in India. It would appear that Bombay is the chief distributing centre of the articles referred to above and the merchants dealing in the trade had to suffer a great deal during the period of war because of the non-availability of transport facilities. The Committee now beg to suggest that, with the hostilities having ceased, and the wagon position having improved, arrangements be made to provide transport to the trade concerned. The articles to be transported are of a perishable nature and therefore must be despatched within a reasonable time, otherwise those engaged in the trade would be put to great and unnecessary loss. The Committee, therefore, request that you will be pleased to do the needful in the matter as soon as possible.

*Letter No. G-494/WB, dated 6th December* 1945, *from G. I. P. Railway to Chamber.*

Booking of goods traffic on this Railway, is regulated in accordance with a Priority List fixed by the Regional Controller of Railway Priorities. The goods mentioned above fall under the last class viz. Class VI of that List.

If any difficulty is experienced in getting wagons for the goods, the Regional Controller of Railway Priorities of the area wherein the destination station lies, should be approached for priority assistance. This, should, however, be done only after the goods are found not to move under the standing priority in the normal way.

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## APPENDIX 18

### Diversion of Empty Tank Wagons from Bina and Katni for bringing Linseed Oil to Bombay

*Letter No.* 3359, *dated* 13*th December* 1945, *from Chamber to Board of Transport.*

Messrs. Hirjee Govindjee and Co., a member-firm of this Chamber, have represented to my Committee that empty tank wagons from Bina and Katni which were till recently being diverted to Saugor and Damoh on the G.I.P. Railway for bringing linseed oil to Bombay, have since some time past not been diverted to those places, while the same are running empty to Bombay.

My Committee had occasion to represent the same difficulty of Messrs. Hirjee Govindjee and Co. last year to your Board, *vide* their letter No. 338, dated 12th February 1944. Your Board had then taken up the matter with the Regional Controller of Railway Priorities and the party had been fortunate enough to be able to secure such empty tank wagons for sending their oil to Bombay. This facility has since some time been withdrawn by the railway authorities, which has resulted in hardship to the company concerned as also to the consuming public in Bombay. My Committee feel that if such tank wagons could be diverted from Bina and Katni to Saugor and Damoh for the purpose mentioned above, it would be advantageous both for the railway and the public concerned. I shall thank you to look into this matter and arrange for the resumption of such diversion of empty tank wagons.

*Letter No.* 789(1)/34722/*V., dated* 31*st December* 1945, *from Board of Transport to Chamber.*

Reference your letter No. 3359, dated the 12th December 1945, on the above subject.

It is understood that the G.I.P. Railway has orders to back load Kerosene and liquid fuel tanks to Bombay with sweet oil. Kerosene oil tanks have been permitted to be diverted for back loading but diversion of liquid fuel tanks is allowed as and when possible.

It is also understood that recently about 60 tanks have been made over to the G.I.P. Railway exclusively for vegetable oil traffic. This is likely to ease the tank wagon position to some extent.

## APPENDIX 19

### Booking of Consignment of Glass Sheets

*Letter No.* 3427, *dated* 21*st December* 1945, *from Chamber to G. I. P. Railway.*

My Committee have received complaints from members interested in the Glass trade that booking of glass consignments by Goods Train over the G.I.P. Railway still continues to be closed. In this connection, it has been pointed out that recently the railway authorities have relaxed the restriction on booking of building materials by Goods Train and that the same are allowed to move freely. Glass is an essential item for purposes of building work and it is desirable that consignments of glass should also be treated in the same way. My Committee have to request you to kindly look into the matter and let them know the exact position.

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## APPENDIX 20

### Storage Accommodation at Railway Stations for Tobacco

*Letter No.* 1564, *dated* 21*st June* 1945, *from Chamber to Railway Board, New Delhi.*

I am directed by the Committee of this Chamber to refer to the communication, dated 7th June 1945 addressed to you by the Gujerat Tobacco Merchants' Association, Anand, in connection with storage provision for tobacco at railway stations.

It is pertinent to point out that at present facilities for storing tobacco at railway stations are not provided and in the absence of any storage accommodation, the article gets spoiled, especially during the monsoon season. Looking to the high cost of tobacco, my Committee feel that the Board would be advised to make some arrangements at stations offering traffic in tobacco, whereby tobacco, while it is lying on the stations and before it is removed to be processed, might not get spoiled. They, therefore, request the authorities to do the needful in the matter.

At present no article can be removed by rail within a distance of 40 miles. This restriction has greatly inconvenienced the tobacco merchants who have to remove the article from the place of storage to a place where it can be processed for being marketed. This restriction especially during the monsoon season has adversely affected the interests concerned. My Committee, therefore, request the Board to waive this particular restriction and thus help the trade affected.

*Letter No.* 1631, *dated 28th June* 1945, *from Chamber to Central Board of Revenue, Simla.*

The Committee of my Chamber have received representations from interests connected with the tobacco trade, drawing their attention to the difficulties experienced by the trade in arranging for the transport of tobacco by railways because of the absence of proper storing and warehousing facilities at the main despatching ends. Tobacco is a commodity paying a high rate of Excise duty. Its trade value is very much influenced by the conditions in which it is transported and received at the consuming centres. Exposure to weather, particularly during the monsoon, easily affects the quality of tobacco ; and it is therefore in the fitness of things that the trade should be given proper facilities for handling and moving the supply in all its stages.

My Committee are aware that normally the responsibility for providing such storage accommodation as the traffic justifies and demands is that of the railways. In the case of tobacco, however, a special consideration arises because of the fact that the commodity is paying a high rate of Excise duty, and as such it is in the interests of Government to see that the trade in the same is provided with all the necessary facilities and conveniences.

Traffic in tobacco is generally offered at certain specified stations at centres nearest to the area of cultivation. Gujerat, thus, is an important tobacco centre, and there are a few stations from which there is a regular traffic in tobacco. It is necessary to provide adequate storage and warehousing facilities at these stations for consignments of tobacco awaiting movement. Such a facility is all the more necessary during the monsoon season. My Committee, therefore, feel that the Central Board should, in consultation with the Railway authorities, take early steps to construct and put up types of warehouses or godowns suitable for the storage of tobacco. It is requested that Government will be pleased to give this matter their early attention.

In making the above suggestion, that the Central Government should provide the necessary storage facilities, my Committee are supported by the existence of similar facilities for storage of inward and outward cargoes at the different ports. Government have found it necessary, as a measure for safeguarding their revenues from Customs duty, to provide godown and warehousing accommodation attached to the different Custom Houses. Similarly, in the case of

tobacco, Government may well put up the necessary storage accommodation, primarily to serve the interests of the trade and incidentally to safeguard their own revenue from Excise duty.

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## APPENDIX 21

### Booking of Consignments of Cotton from Stations in C.P. and Berar to Bombay

*Letter No.* 1791, *dated* 14*th July* 1945, *from Chamber to G. I. P. Railway, Bombay.*

My Committee are informed that under the Cotton Control Movement Order, consignments of cotton are accepted, for traffic in wagon loads, in units of 100 bales on Broad Gauge and 90 bales on the Narrow Gauge stations of your Railway. In this connection, the attention of my Committee has been drawn to the practical difficulties experienced by the trade by the fixing of units of 90 bales for the Narrow gauge traffic. The trade in cotton is based on units of 50 bales. Under the Indian Cotton Contracts, transactions are entered into on the basis of units of 50 bales. Merchants, therefore, tendering cotton against such contracts, have to rail and transport cotton bales in complete units in terms of the said contracts. Thus, if cotton is accepted on the basis of 90 bales over the narrow gauge, the same will not represent complete multiples of trading units ; in the result there will be a good deal of disorganisation in conforming to the practical requirements of the trade. It is, therefore, necessary that the Railway should examine this point and take steps to remove this difficulty.

My Committee appreciate that owing to the smaller size of the narrow gauge wagons the capacity of the same may not correspond to those on the broad gauge and that consequently considerations of space would not make it possible for narrow gauge wagons to move 100 bales. At the same time, it is suggested that wherever the full quantity in trade units of consignments cannot be moved over the narrow gauge on account of the above practical difficulty, the Railway Administration should agree to accommodate the trade by moving fractional lots at rates applicable to wagon loads. The suggestion may be hypothetically illustrated. If a trader requires transport for 200 bales, comprising 4 units, two wagon-loads on the narrow gauge would absorb 180 bales ; the Railway should agree to move the balance of 20 bales at rates applicable to wagon loads and

accommodate the same in another wagon along with other goods or cotton belonging to other parties. My Committee hope that your Railway Administration will have no difficulty in agreeing to the above suggestion.

*Letter No. G-572, dated 12th October 1945, from G. I. P. Railway, Bombay to Chamber.*

Further to my letter No. G.572, dated 7-8-45, I have to advise you that in accordance with the directions given by the Cotton Movements Committee and the Regional Controller of Railway Priorities, railways are to book cotton in complete wagon-loads only.

2. In accordance with these directions a unit of 100 bales has been fixed for a broad-gauge wagon and 90 bales for a wagon on the C.P. Railway.

3. I regret, owing to acute shortage of wagon space prevailing on this Railway, cotton cannot be moved in quantities less than the wagon loads prescribed above, although merchants may be prepared to pay rates applicable to wagon-loads.

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## APPENDIX 22

### Movement of British Indian Manufactures into the Nizam's Territory

*Letter No. 1030, dated 17th April, 1945, from Chamber to Department of Commerce, New Delhi.*

The attention of my Committee has been drawn to the difficulties experienced by Messrs. Godrej and Boyce Mfg. Co., Ltd., Bombay, who are manufacturers of iron and steel security equipment in regard to the sale of their goods in the Nizam's Dominions. The facts of the case have already been placed before Government in their letters addressed to your Department, dated 5th and 27th December 1944 and 14th March 1945, the last one being marked for the personal attention of Mr. K. K. Chetur.

Their main grievance is that the existing control of movement of goods over the railways is being administered in a manner which prejudicially affects their interests and permission for the necessary priority is being refused on grounds which have no direct bearing on the main purpose underlying such control. As a matter of fact, the Advisor to the Hon'ble Member for Commerce and Industries, H. E. H. The Nizam's Government has frankly stated in his letter

dated 13th May 1944, addressed to the company, that the request for moving steel furniture from Bombay to Hyderabad could not be granted as the material in question could be made locally in that State by a manufacturing concern established there. Thus, it would appear that this British Indian manufacturing concern is prevented from selling and moving its goods from British India to that State territory with a view to afford a measure of assistance and protection to a manufacturing unit established in that State. My Committee feel that the restriction of railway movement cannot be made use of in this manner.

At the same time, it is significant to point out that goods made in the State's territory are freely allowed to be sold in British India. The company has also furnished information about instances in which the Hyderabad Alwyn Metal Works, Ltd., have offered to supply their manufactures to British Indian purchasers.

The issue raises a large question of policy and my Committee submit that it should not be open to the Hyderabad State authorities to administer any of the controls resulting from the existing war situation in a manner directly to exclude the import and movement of goods produced in British India, while no such corresponding restriction is being placed in the way of the outward movement of goods manufactured in that State. They, therefore, request Government to be pleased to examine the case and take up the matter with the authorities concerned in that State, with a view to such administrative acts of discrimination against British Indian products being eliminated.

*Letter No. 53-C(1)/44, dated 8th May 1945, from Commerce Department to Messrs. Godrej and Boyce Manufacturing Co., Ltd.*

I am directed to refer to the correspondence ending with your letter No. NDS|W|3165, dated the 14th March 1945, on the above subject and to say that priority facilities have been allowed to the Hyderabad Alwyn Metal Works, Limited for movement of their goods to Bombay only against specific orders placed on them by essential concerns. The Controller of Railway Priorities, Hyderabad is also similarly agreeable to consider your applications for movement of goods to the Hyderabad State against specific orders from essential concerns *vide* Controller's letter No. SCRP|265, dated the 15th November 1944 to the address of your Hyderabad Office. I am accordingly to suggest that you should take advantage of this

offer and if there be any difficulty in obtaining priorities in such cases, the Government of India would be prepared to consider the matter further.

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## APPENDIX 23

### Higher Transport Priority for Cattle Feed over the Railways

*Letter No.* 1972, *dated 28th July* 1945, *from Chamber to Regional Controller of Railway Priorities.*

I am desired by the Committee of this Chamber to address you in connection with the necessity for giving a higher priority for movement of cattle feed and fodder over the railways. At present fodder is placed under Class IX. You will agree that on that basis consignments of fodder will get very low priority.

The question of difficulties caused by the inadequacy of the supply of milk in different centres and particularly in Bombay is at present engaging active attention. The shortage has been acknowledged and steps to meet the position are under consideration. Fresh cattle have to be brought to Bombay for the purpose. You will readily agree that with the increase in the number of heads of cattle, there will, naturally, be an increase in the demand for cattle feed. Moreover, complaints have often been made about the scarcity for cattle feed for meeting the requirements of the existing number of cattle in the city. Thus, the availability of cattle feed in adequate quantities is an integral factor in any measures necessary for solving the existing milk supply position.

It will not be out of place to point out that the Public Relations Officer attached to the Civil Supplies Department, Bombay, in a statement to the press made public mention of the difficulties experienced in getting adequate supplies of cattle feed. Similarly, Report of the Central Advisory Committee on the problem of milk supply has also made prominent mention of this difficulty.

The Railway authorities have acknowledged the importance of the timely movement of cattle and have placed livestock in Class (III)(b)(ii). It is but reasonable to suggest that cattle feed, including fodder and oilcakes, should also be given the same rating for purposes of priority as livestock. Livestock movement will be facilitated only if movement of cattle feed is also enabled to a corresponding extent. My Committee, therefore, urge that steps should

be taken to include cattle feed and fodder also under the same heading, viz : III(b)(ii).

It is requested that you will be pleased to give this matter your sympathetic consideration and take early steps to get the priority list amended accordingly.

*Letter No. P.G.*136, *dated 3rd August* 1945, *from Regional Controller, Bombay to Chamber.*

I do not know where you got your information, but though fodder generally is classed under Class IX, approved and recommended movements on demands and programmes are moved under a higher priority dependent on the wagon situation at the time. All such applications must come through the Secretary, Board of Transport, Secretariat, Bombay.

*Letter No.* 2111, *dated* 10*th August* 1945, *from Chamber to Regional Controller of Railway Priorities*

Considerable quantities of Chuni which is an important item of cattle feed are imported for meeting the requirements in Bombay from centres in U.P. and C.P. Government arrange for quotas of imports of Chuni. It has, however, been pointed out to my Committee that difficulty is experienced in getting priority on the B.N. and E.I. Railways for movement of these supplies. If movement of Chuni is not facilitated by timely grant of priority, centres like Bombay which are largely dependent on external supplies of cattle feed will suffer a serious hardship on account of shortage. It is requested that you will be pleased to give this matter your attention and to arrange with the authorities of the B.N. and E.I. Railways for issuing orders for the grant of a high rate of priority for the movement of Chuni over their railways.

It often happens that railway booking is closed for various items on particular sections, sometimes for days together. Whatever may be the reasons which necessitate such action it is desirable to arrange that livestock and articles of a perishable nature are not completely stopped in that manner. Even during periods when booking has to be closed an exception should be made in favour of livestock and transport facilities made available for timely movement of the same.

In this connection, my Committee understand that the Bombay Humanitarian League have represented the above difficulties

to you and they request that you will be pleased to give the matter your sympathetic consideration and take such action as will meet the practical requirement of the situation.

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## APPENDIX 24

### Withdrawal of restrictions on Petrol Consumption

*Telegram dated 24th August 1945, from Chamber to War Transport Department, Government of India.*

"The war having ended Committee Indian Merchants' Chamber would earnestly request Government to give their immediate attention to the question of making arrangements for the complete withdrawal of restrictions on petrol consumption without any further loss of time. The use of petrol for civilian private requirements including requirements of trade and industry was severely curtailed with effect from August 1941. The quantities allowed under the basic ration together with supplementary allotment for persons concerned with essential work were extremely inadequate compared to normal standards and to the ordinary requirements of the respective consumers concerned. Being alive however to the fact that the inconvenience was unavoidable as part of the effort which the country had to put up in connection with the war, the public tried to adjust themselves to the situation notwithstanding the consequent personal inconvenience and disorganisation in their normal activities. Committee strongly feel that there would be no justification to continue this state of affairs any longer. Petrol supplies are understood to be fairly satisfactory. Besides the country has been all along importing petrol in fairly considerable quantities although the major portion of such imports was still now reserved for the defence and allied requirements. Committee are aware that Government have announced their intention to double the basic ration shortly. But the proposal will not meet the requirements of the situation as even with that relaxation the basic supply would be only two-thirds of what was allowed under the basic ration of 1941. What is more, conditions have considerably changed since this decision to double basic ration was taken by Government. The war has definitely ended and consequently the demand on military account will be forthwith substantially reduced. Committee therefore emphasise that the position should be reviewed immediately and that arrange-

ments for supplies of petrol without any quantitative restriction should be made. While on this, Committee would also like to draw the attention of Government to the serious difficulties experienced in the matter of securing motor tyres, tubes, accessories and other parts. The position in regard to these supplies also requires to be looked into with a view to proper steps being taken so as to increase the allotments made for civilian requirements. The public have put up with the inconvenience consequent upon the acute shortage of these materials for a fairly long time and it is in the fitness of things that Government should lose no time in recognising their past sacrifice and taking effective steps for the immediate alleviation of the supply and distribution position."

*Letter No.* 1-*P.R.* (6)45, *dated* 29*th August* 1945, *from War Transport Department to Chamber.*

In reply to your telegram dated August 24, 1945, I write to inform you that the Government of India fully realise the great inconvenience suffered by private motor users from the restrictions which have had to be placed on the supply of petrol, and will be only too ready to remove these restrictions as soon as conditions permit. It is regretted, however, that, on the information at present available, it is not possible to hold out hope of any material improvement in the very near future. Your Chamber may rest assured that as soon as the position renders it possible, Government will increase the rations or remove the restrictions.

*Letter No.* 1-*P.R.* (6)46, *dated* 30*th August* 1945, *from War Transport Department to Chamber.*

Reference your telegram dated 24-8-45. In continuation of this department letter No. 1 PR(6)|45 dated August 29, 1945, I am directed to explain that the situation regarding spare parts is as follows :

2. The stock position in the country has considerably improved during recent months. This department has of late been freely supporting indents for import of spare parts from the United Kingdom and has also arranged for the import of essential parts from the U.S.A. and Canada up to the maximum quota allowed by those countries.

3. Your remarks about the difficulties in obtaining motor tyres have been passed to the Controller of Rubber, Directorate General of Supply, New Delhi.

*Letter No. R.C.|46|4(3295), dated 7th September 1945, from Tyre Directorate to Chamber.*

A reference is invited to para. 3 of the letter addressed to you by the Chief Controller of Road Transport & Development, War Transport Department, No. 1-PR(6)|45 of the 30th August, 1945.

Consequent on the cessation of hostilities and the decrease in the demands for tyres and tubes for the Defence Services, it has been found possible to give substantial increases in the quotas of tyres and tubes to the Provincial Rationing Authorities for distribution to civil users. As and when the tyre supply position improves, it is proposed to increase the quotas progressively and as such it is hoped that no difficulty is likely to be experienced by owners of cars and transport vehicles in obtaining their requirements of tyres and tubes.

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## APPENDIX 25

### Railway Classification of Charcoal Gas producing plants for motor cars

*Letter No. 1494, dated 15th June 1945, from Chamber to Railway Conference Association, New Delhi.*

I am directed to acknowledge the receipt of your letter No. T97|XL4 dated the 20th April 1945 on the above subject and to submit the views of my Committee as under.

My Committee understand that at present there is no separate classification for Charcoal Gas Producing Plants in the existing I.R.C.A. General Classification of Goods. They would like to state that these plants are largely required in mofussil centres, and therefore a separate classification with a special lower rate should be introduced.

My Committee further understand that at present these gas plants are not allowed to be booked by goods-trains as a result of which heavy freight has to be paid by the consignors. They would, therefore, like to recommend that gas plants should be classified in lower class or in the alternative restrictions on their booking by goods-train should be removed.

## APPENDIX 26

### Classification of Toilet requisites

*Letter No.* 1187, *dated 14th May* 1945, *from Chamber to Railway Conference Association, New Delhi.*

The attention of my Committee has been drawn to the correspondence that has been carried on between Messrs. E. S. Patanwala, a well-known firm of perfumery manufacturers and a member of this Chamber and the B. B. & C. I. Railway authorities on the question of classification of Toilet Requisites, mixed. The Committee in this connection understand from a letter received by Messrs. Patanwalas from the G. I. P. Railway, No. RC. 1587 dated 16th February 1937, that with effect from 15-10-1936 a new entry as "toilet requisites, mixed"—6th Class R.R.—was added to the general classification of goods by the Indian Railway Conference Association and that the change in question had been notified in the G. I. P. Railway Special Rate Circular No. 18 of 1936. On going through the Goods Tariff General Rules No. 25, the Committee, however, find that no such classification has been incorporated as referred to by the G. I. P. Railway in their letter under reference. The G. I. P. Railway authorities, nonetheless, have been giving concession on consignments of toilet requisites under 6 R.R. as referred to above, but the B. B. & C. I. Railway and Bengal-Nagpur Railway have not been granting such concessions. It is desirable in the interest of the trade concerned that a uniform system of classification should be followed by all the State railways in India and with that end in view instructions to classify toilet requisites, mixed, under 6 R.R. be issued by the Railway Conference Association to all the railways to avoid any inconvenience to the commercial community.

Messrs. Patanwala have been penalised by the B. B. & C. I. Railway because the consignment of toilet requisites was adjudged by the B. B. & C. I. Railway authorities under Class 9 R. R. and by the Bengal-Nagpur Railway for similar reasons.

The Committee under the circumstances request the Indian Railway Conference Association to issue instructions to all the railways to classify toilet requisites, mixed, under 6th Class R.R. and to take steps to give relief to the party concerned by refunding the amount claimed by them both from the B. B. & C. I. Railway and the B. N. Railway.

*Letter No. R. 145|32|19, dated 18th May 1945, from B. B. and C. I. Railway to Chamber.*

The present entry in the General Classification of Goods in force on Indian Railways, for Toilet goods is Toilet Requisites N.O.C. which includes, Brushes, hair, nail, shaving and tooth. It may be observed that several years ago, Creams, Dental, Creams Toilet and Powder, Nursery, Toilet or Tooth were separately classified at 8th class rates but with the introduction of the entry Toilet Requisites N.O.C. 6 RR the separate classifications of Creams Dental and Tooth and Powders, Nursery Toilet or Tooth were deleted.

It may be noted that Scents which are separately classified under a different entry cannot obviously be charged at the same rates as for Toilet Requisites N.O.C. e.g. Tooth pastes, Tooth powders, Face Creams, Hair lotions etc. are *not* otherwise classified and Messrs. Patanwala should experience no difficulty in booking such *Toilet* products under Toilet Requisites N.O.C. When consignments of this type are described as Toilet Requisites they are charged as Toilet Requisites N.O.C. which cover a wide variety of Toilet goods which are not separately classified.

With regard to the entry "Toilet Requisites mixed 6 RR" this item was changed to Toilet Requisites N.O.C. 6 RR according to the recommendations of the Indian Railway Conference Association Commercial Committee's Meeting No. 34 of 12-7-1937. The existence of the entry Toilet Requisites, *mixed*, gave rise to an anomaly, as pointed out by certain large dealers, that articles of common Toilet use such as Cream Toilet, Cream Dental, powders, nursery etc. when booked separately were charged at 8th class rates and when mixed together and declared as Toilet Requisites mixed freight was levied at the 6th class rate. The Commercial Committee thereupon removed the anomaly and now there is no such entry as Toilet Requisites *mixed* in the General Classification of Goods in the tariffs of any railway. In this connection it may be observed that views of your Chamber were invited by the I.R.C.A. when the question of changing the nomenclature of the entry Toilet Requisites *mixed*, was being considered. Your Committee welcomed the proposal to bring the classification of powders, and creams in line with other common Toilet Requisites.

In the circumstances it will be appreciated that the question of this railway's introducing such an entry as Toilet Requisites,

*mixed* does not arise and as all Toilet Requisites which are not otherwise classified are chargeable as Toilet Requisites N.O.C. 6 RR the complaint of Messrs. E. S. Patanwala against this railway is not quite clear.

*Letter No.* 1342, *dated* 1st *June* 1945, *from Chamber to B. B. and C. I. Railway.*

I have to acknowledge the receipt of your letter of the 18th instant, No. R.145|32|19, on the above subject, and to thank you for the detailed information regarding the exact position governing the classification of Toilet Requisites for rate purposes. In this connection, it may be pointed out that my Committee found it necessary to address the Indian Railway Conference Association in the matter, as per their letter of the 14th May, because of the information furnished to them by Messrs. E. S. Patanwala to the effect that, while other railway administrations, like the E. I. R., charged Mixed Toilet Requisites at 6 R.R., the B. B. & C. I. and G. I. P. Railways were charging the same at a higher rate. You will have noted that in their said communication of the 14th May, they had themselves referred to the absence of any separate classification for "Toilet Requisites, mixed" in the Goods Tariff General Rules of the I.R.C.A. My Committee, therefore, only seeking a clarification of the position with a view to ensuring that all the railways adopted a uniform practice and charged Toilet Goods at the proper rate applicable to the same. In view of the position as explained by you, we are suggesting to Messrs. E. S. Patanwala to take up with the railway administration concerned the question of their Toilet Requisites being accepted under the existing classification "Toilet Requisites, N.O.C." at 6 R.R.

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## APPENDIX 27

### Freight classification of woods used for the manufacture of Bobbins

*Letter No.* 3076, *dated* 13*th November* 1945, *from Chamber to Railway Board, Simla.*

Messrs. Metro Wood Works, Ltd., Kalol, are a member of this Chamber, doing business as manufacturers of bobbins and textile wooden articles and supplying the requirements of a large number of textile mills in India. In the manufacture of bobbins and other

textile articles the chief raw material used is maple and walnut wood, which they have been getting from Kashmir. It is, however, contended that the freight charges for the particular type of wood, which it may be mentioned is the most suitable quality for manufacturing bobbins, are prohibitive and are, therefore, likely to affect the industry, which has done so much during the war. The railway authorities have placed maple and walnut wood in special Class IV, with the result that freight charges per maund from Rawalpindi to Kalol come to Rs. 3-4-6, while the other type of wood which is lower in quality and therefore not suitable for the purpose is placed in Class I, the freight for the same per maund being only Rs. 0-14-6 for the same distance. It would be obvious from this that Messrs. Metro Wood Works are put to a great loss. They have already entered into a contract with the Kashmir State for the type of wood they require, and to bring the same at the prohibitive rate of Rs. 3-4-6 as stated above, would put the party to a loss of about about Rs. 15,000. My Committee, therefore, beg to suggest that the classification for transporting walnut wood be changed to Class I, with a view to give relief to this important industry. The Government of India have declared as their policy, to give all types of assistance to industries which have started during the war, and my Committee request that the case referred to above deserves all considerations at the hands of the Railway authorities. They will, therefore, please classify the type of wood in Class I as mentioned above and thus give relief to this war industry.

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## APPENDIX 28

### Air Mail Letters—Time and Date Delivery

*Letter No.* 3201, *dated 29th November,* 1945, *from Chamber to Bombay G.P.O.*

I am directed by the Committee of this Chamber to address you in connection with the subject noted above.

Before the war, the authorities used to publish for the general information of the public a schedule indicating the time and date when air mail letters to foreign countries could be delivered at the Post Offices. This salutary procedure, which used to facilitate the work of the commercial community to a great extent, was discontinued obviously for reasons connected with the war. The

Committee, however, now feel that the war having come to an end, and even the regulations connected with censorship having been withdrawn, the old practice of publishing the schedule in respect of the above should be restored as soon as possible, thus facilitating the daily work of the general public and the commercial community of the City.

*Letter No. MAP|38, dated 13th February 1946, from Post Master General, Bombay to Chamber.*

With reference to your letter No. 3201 dated 29-11-45 and in continuation of this office letter of even No. dated 1-12-45, I have the honour to say that as air mail leaflet similar to that published in 1938 if printed at present will soon be out of date. It is therefore proposed to wait for sometime before this is done.

*Letter No. 565, dated 25th February 1946, from Chamber to Post Master General, Bombay.*

I have received your letter No. MAP|38 dated the 15th February 1946 on the above subject. The matter was further considered by my Committee at their last meeting in the light of the difficulties pointed out by you. They appreciate that at the moment when frequent changes in the services are made to suit the exigencies of the situation, a time-table or leaflet issued might get soon out of date. At the same time it is necessary to take steps to ensure that the difficulties of the public through the present position of absence of exact information should be obviated by some kind of temporary arrangement. In their opinion, the position would be met if the Postal authorities issued at periodical intervals, say of a week or a fortnight, a schedule of air mail timings for the different countries and publish the same in the newspapers. You might be probably aware of the existence of similar arrangements for publishing the railway timings. The postal authorities should get the information published in the press at fixed intervals, if necessary in the form of advertisement so that the public may be kept informed of the exact position.

In addition, the circulars giving the timings may also be sent round at fixed intervals to important Chambers and Associations with a request that they may place the same on their notice board.

It is requested that you will be good enough to consider the above suggestions and to take the necessary steps at an early date.

## APPENDIX 29

### Delivery of letters addressed to Persons c|o Post Box Number

*Letter No.* 1857, *dated* 19*th July* 1945, *from Chamber to Presidency Post Master, Bombay.*

My Committee are informed that letters addressed to individuals, marked c|o a post-box number, are not being placed in the post-box concerned, but instead are being delivered by the post-peons to the individual addressee at the address represented by the post-box. It appears that the general Rule observed by the Department in this regard prescribes that no one except the renter of the post-box himself, if an individual, or, in the case of a firm, the legitimate personnel of the firm, shall be allowed to use the box-number for the receipt of unregistered post. My Committee are unable to appreciate the justification for this restriction. After all, post-boxes are intended to facilitate earlier delivery and quicker dispatch of postal work ; the post-box renter is enabled to arrange to secure all his postal communications as often as may be necessary in a day and deal with them expeditiously, without having to wait for the daily rounds, limited in number, of the usual delivery by post-peons. The utility of the system of post-boxes having been acknowledged, there is no reason why the Department should, by restrictions of the nature referred to above, deny the right of service through post-box to addressees who are connected with the renter of the post-box number.

Even under the Rules as they stand, my Committee are advised that in the case of a firm renting a post-box the legitimate personnel of the firm will be allowed to use the post-box number. Legitimate personnel, my Committee submit, should include all the members of the staff, and at any rate senior officials, like partners, managers, assistants, accountants, etc. It is relevant in this connection to point out that in these days a good part of the business correspondence of corporate bodies is exchanged in demi-official form with the result that it is customary to address even official communications by name to the persons in charge of the subject-matter under reference.

My Committee, therefore, request that you will be good enough to look into the matter and to issue instructions to the effect that there should be no objection to unregistered post

addressed to individuals marked c|o a post-box number being delivered through the post-box in question.

*Letter dated 23rd July* 1945, *from Presidency Post Master to Chamber.*

I have the honour to acknowledge receipt of your letter No. 1857 dated the 19-7-1945 and to say that no restriction has been imposed for the use of the Post Box by the legitimate personnel of a firm provided the name of the firm and number of the Post-Box is clearly written in the address. The legitimate personnel may include the proprietors, partners or managers as well as the other staff of the firm.

If the Post-Box is assigned to one person or individual letters addressed to him only can be sorted in that box. Letters addressed to his firm or to other partners or agents cannot be sorted in the Post-Box.

In all cases the Post-Box number must be mentioned in the address. This is required in order to facilitate sorting of the letters into the correct Post-Box.

You will, therefore, appreciate that no restrictions calculated to cause any serious inconvenience to the Box renters are imposed, but the instructions were issued to the renters of the Post Boxes for their being observed in order to facilitate expeditious and prompt disposal of correspondence of the Post Box renters.

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## APPENDIX 30

### Withdrawal of Censorship on Private and Commercial Correspondence including Telegrams and Cablegrams

*Telegram, dated 27th August* 1945, *from Chamber to Home Department, Government of India.*

Committee Indian Merchants' Chamber earnestly submit that the war having ended there is no longer any justification for continuing censorship on private postal and telegraphic communications both internal and overseas. It is relevant in this connection to point out that both the British Government and the Government of the U.S.A. announced their decision immediately after the termination of the hostilities to completely withdraw all official censorship. From reports appearing in press it seems that Government here are also considering removal of censorship of news so

far as it affects press. Committee wish to point out that the question of lifting all restrictions on private communications postal and telegraphic both internal and overseas should receive immediate attention. Apart from inevitable delay consequent upon formalities connected with censorship the existing restrictions also impose avoidable inconvenience to public generally and to commercial interests in particular. Illustrating point Committee may mention that at present foreign telegrams other than in plain language are not allowed to be transmitted. The use of telegraphic addresses is also prevented. Private commercial correspondence by cable with overseas countries was mostly being carried on in the past in codes recognised for the purpose. Whatever might have been the justification during the period of war for withholding this facility now that the emergency has ended Government should lose no time in restoring previous position. Committee therefore request that Government will be pleased to issue immediate orders lifting completely censorship of postal communications including telegrams both internal and overseas.

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## APPENDIX 31

### Congestion in the Telephone Service

*Letter No. T|7, dated 27th July* 1945, *from Indian Posts and Telegraph Department to Chamber.*

Further to my recent interview with yourself, the Vice-President and Secretary of your Chamber, I confirm that in view of the very heavy traffic congestion on the Bombay telephone system, any measures which your members could adopt to reduce the number of calls made on their lines (particularly between the hours of 11 a.m. and 5.30 p.m.) would be very much appreciated by those charged with the maintenance of the Bombay system under conditions which are today of unusual difficulty.

You will remember that I told you that in 1938 the busiest exchange in England was London Wall and that on this exchange the average number of calls per subscriber per day was 23 whereas on the main Bombay exchange the average number of calls per subscriber per day was rarely below 50, was at times much higher, and that the average for all exchanges in the Bombay system, including exchanges in residential areas, was 40 calls per subscriber per day.

I am sure you will realise that these figures indicate that the Bombay exchanges have been and are working under very great stress and at a rate very much higher than that for which they were designed. No combination of electrical and mechanical apparatus can be worked indefinitely in this manner without developing defects, and though every effort is made to reduce such defects to a minimum, they inevitably occur at a rate considerably above the average which one would expect under normal working conditions.

Everything possible in the way of stepping up the capacity of the various exchanges to deal with the traffic overload has been done and as far as the Central Exchange is concerned, all racks and traffic channels are fully equipped with switches.

The only hope of relief on the exchange must, therefore, come from the subscribers to it, who number approximately 12,000 and who make between them an average of between 600,000 and 650,000 calls per day and a saving of 5 calls per subscriber per day plus a saving of only a few seconds in the duration of each call would go a very long way indeed to reduce traffic congestion.

Another factor in the congestion on the Bombay exchanges is the misuse of telephones by those making calls and I am sure that most of your members must have on their staffs subordinates who make the following errors of omission or commission :—

(*a*) Not listening for the dial tone before commencing to dial.

(*b*) Tapping the switch hook.

(*c*) Flipping the dial.

(*d*) Forcing the dial back instead of letting it return at its own speed.

(*e*) Not making sure of the number they require *before* dialing.

Any one or more of these errors is likely to result in a wrong number being obtained and their elimination would result, not only in reducing traffic congestion, but also in lines being kept more free from inward traffic.

Clerks will sometimes tie up an exchange line for half an hour in order to send at dictation speed a message which can be delivered by a peon in five minutes and a limit to the length of mes-

sages permitted to be sent in this manner would obviously be of advantage to both the sender and receiver.

I fully realise that the members of your Chamber find a telephone a very valuable business link but I do nevertheless feel that there must be some slight scope for improvement and can assure you that I should be most grateful for any assistance which your members can contribute to my efforts to improve the service.

I am, of course interviewing and writing to all business associations in Bombay with a view to obtaining from them the same co-operation as I am certain I shall receive from the members of your Chamber.

I fully appreciate the various points raised by you and can assure you that no effort has been spared to obtain additional telephone exchange apparatus. It is my intention, as and when opportunity arises, to see that important subscribers whose exchange line facilities are overcrowded, obtain additional exchange lines ; I have always fully realised that this is a step which will do much to reduce the present day congestion and I would again stress the point I made when talking to you to the effect that the only reason why I have not already taken steps in this direction is because the Bombay exchanges are loaded to capacity.

I am extremely grateful for the interview which you, the Vice-President and the Secretary were kind enough to give me on Monday the 23rd instant.

*Letter No.* 2193, *dated 25th August* 1945, *from Chamber to the General Manager, Telephone*

Your letter No. T-7, of the 27th July, 1945, was circulated to my Committee and they have considered the issues raised therein. There has, however, been an important development since you met the President and Vice-President of the Chamber and since your letter under reply was received. The war has ended. It is, therefore, reasonable to assume that there would be a considerable easening in the load on the Telephone system in the City ; particularly the calls on the service on account of the Defence and other connected activities may be expected to be substantially reduced, if not completely eliminated. After the necessary time lag for the implementation of plans for demobilisation, etc., the Telephone service will be relieved of the load to a great extent. The same

will apply also in regard to a good part of the civilian load, directly attributable to war-time activities. Many of the Departments of the Central and the Provincial Governments, under the Civil head, which were set up for purposes mainly connected with war, will be gradually curtailing their activities and consequently they will have less occasion to use the telephone service than hitherto. In view of the foregoing considerations, my Committee expect that there will be an automatic easening of the congestion in the telephone service, and that no special measures of a corrective nature, as indicated in your letter, will be found necessary. At any rate, the change in the situation will, certainly make the problem less pressing than what it was when you wrote to us.

It may be recalled that, when you met the President and the Vice-President of the Chamber, the question of getting additional equipment with a view to increasing the operative capacity of the services and the various exchanges in Bombay was prominently stressed by us. You referred to the practical difficulties in obtaining such equipment due to the preoccupation of the manufacturing undertakings in other directions and due to the difficulties inherent in the existing conditions of war. The position in this respect also has changed since then. It should now be possible to secure assistance in this direction within a reasonable measure of time, as the manufacturing undertakings no doubt must have been relieved of the calls on their capacity on account of war. It is hoped that the authorities of the Bombay Telephone will, therefore, give this aspect of the matter their immediate attention and take energetic steps for securing the necessary supply of equipment which will increase the operating capacity of the telephone service in the City.

Thus, with a reduction in the load on the service, consequent upon the cessation of hostilities, and with efforts to increase the operating capacity, which may now be possible in view of the altered circumstances, my Committee believe that it should be possible for the Telephone Service to function normally hereafter, without the subscribers being obliged to subject themselves to self-denying practices and suggestions made by you in your letter under reply.

*Letter No. T|7, dated 7th September* 1945, *from Bombay Telephone to Chamber.*

I have to acknowledge receipt of your letter No. 2193 dated the 25th ultimo and apologise for my delay in answering, which delay is due to my having been absent from Bombay for several days.

Regarding the 1st paragraph of your letter under reply, I would state that up to the present there has been no apparent reduction in the traffic congestion on the Bombay Exchanges, and whilst it is quite possible that there will be such a reduction in the future, I would be grateful if you would ask your members to take special note of the information regarding the errors of omission and comission by telephone users contained on the blue page in the new directory which is now in the course of issue (copy enclosed).

With reference to your suggestion regarding the supply of equipment which will increase the operating capacity of the telephone service in the city, I can only repeat what I told you at the interview which your President was so good as to grant me, to the effect that everything has been and will be done to secure further automatic equipment as early as possible.

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## APPENDIX 32

### Unsatisfactory conditions of Telephone Service in Bombay

*Letter No.* 3314, *dated 7th December* 1945, *from Chamber to Telephone, Bombay.*

I am directed to invite a reference to the correspondence on the above subject ending with this office letter No. 2193 dated the 25th August 1945.

Since then my Committee have been receiving a number of complaints regarding the irregularity of the service. The complaints generally are that a large number of wrong numbers are being received, that there is considerable difficulty and delay in getting the required telephone connections in time, that particular connections or lines are found to be defective or not operative for fairly long intervals and that there is inordinate delay in attending to complaints about fault or defect in individual connections. From the nature of the complaints, it would appear that the condition of the service, as a whole, is far from being satisfactory and that the matter requires to be looked into with a view to effective

steps being taken for making the service more efficient and regular.

My Committee are aware that during the period of the war there was a substantial increase in the traffic carried by the telephone system in the city and that the same led to a high degree of congestion. It was hoped, however, as mentioned in their letter of the 25th August last, that with the end of the war, a substantial reduction in the calls on account of the defence and allied activities might be expected and that the position of the service would improve. Unfortunately, these expectations do not appear to have been realised.

You will, however, appreciate that in the interest of maintaining the efficiency of the system and with a view to make the telephone service to be of effective use to the subscribers, it is very essential that the whole position should now be reviewed and that the telephone authorities should take all the necessary measures which would restore the service of the system to a normal footing. If the service condition continues to be congested, the only practical method of bringing about an improvement in the situation is to increase and improve the operating capacity of the system. As my Committee had urged in their previous communication, the problem of getting additional equipment for increasing the capacity and, if necessary, for enlarging the exchanges should be immediately tackled. After all, the telephone is an essential service and plays an important part in the day-to-day activities of the business life of the city. The claims of this service, therefore, should receive a high degree of priority in regard to its needs and requirements and my Committee have, no doubt, that if the matter is represented in its full implications to the higher authorities, the difficulties in getting the necessary machinery and equipment for expanding the service can be overcome. Whatever may be the present supply position of capital equipment in the supplying countries, if the urgency of the demand for the service is pressed home adequately and fully, it should be possible, my Committee feel, to secure some immediate assistance in that direction.

Another direction in which immediate improvement is necessary is in regard to the machinery for dealing with individual complaints about defects in connections or in service. The grievance is almost general and frequent, that complaints about faults in

service or about defects in particular connections remain unattended long, and sometimes for days together. You will have no difficulty in understanding the annoyance and difficulties caused to subscribers by such a state of affairs. When the war was actually on, the subscribers might generally have been more tolerant in the hope that the existing abnormal conditions made such inconvenience inevitable. There is, however, a limit to this feeling of resignation. It is essential that steps should be taken to improve the machinery and procedure relating to the maintenance and repair service and as in pre-war days, complaints should be attended to almost immediately. My Committee would request you to give this aspect of the problem your personal and immediate attention and tone up the procedure relating to arrangements for attending to individual complaints about faults in service.

Finally my Committee strongly feel that no further time should be lost in reviewing the whole position and in taking such effective steps as would put the service on a normal and efficient footing. The existing feeling of all-round dissatisfaction should be removed and no efforts should be spared to bring about a state of affairs under which the subscribers would generally feel that the telephone service is again subserving their day-to-day needs and requirements.

*Letter No. T|7, dated 28th December* 1945, *from Indian Posts and Telegraphs Department to Chamber.*

Further to my letter No. 25212 of the 11th instant and dealing with the points raised in your letter No. 3314 of the 7th December 1945, I would first say that it is fully realised that the Bombay telephone service has not completely maintained its very high pre-war standard, but I do feel that the great difficulties of maintenance which are being encountered and which have in no way decreased in recent months, are not always realised either by the individual user or Public Bodies.

Your Committee appear to be under the impression that owing to the cessation of hostilities, the traffic on the main Bombay exchanges has greatly decreased. This, unfortunately, is not the case, for notwithstanding a decrease in the number of calls made in respect of defence and allied activities, there has been little or no reduction in the total volume of traffic, with the result that severe congestion still frequently occurs during the busy hours

of the day and it is this congestion which is, in a great measure, due to wrong numbers being obtained, though this is not entirely the reason for many Bombay telephone users still fail to listen for the dial tone or consult their directory before dialling a number.

You ask in the 4th paragraph of your letter under reply that the whole position should be reviewed and that the Telephone Authorities should take all the necessary measures which would restore the service of the system to a normal footing. With regard to this request, I would inform you that the position is and always has been constantly under review and that orders for additional apparatus and spare parts have long been placed, and further more, that every effort is to my knowledge being made by the Higher Authorities for the delivery of such apparatus and spare parts to be expedited. That the amount of success in this direction has up-to-date been limited, is not due to the fault of any one connected with the telephone service, but to the fact that the supplies required are just not available. What spare parts come to hand are rapidly put into service and there has been for several months a special staff engaged on the work of overhauling the main Bombay exchanges. The benefits of this work will only be gradually apparent and it cannot be fully completed until sufficient spare parts come to hand. In the meantime, every effort is made to keep the exchanges in as good order as possible and they do deal efficiently with the demands made on them except in periods of extreme congestion.

It is true that there is occasionally delay in actual repairs to apparatus at subscribers' premises and this can only be entirely remedied by the availability of spare parts for the many thousands of instruments which are in service. The question of speeding up this work receives the closest attention and frequent conferences are held between myself and my officers in order that all possible steps may be taken to reduce delays to a minimum. Should there, however, be any serious cases of delay in the repair of connections of subscribers who are members of your Chamber, I shall be grateful if they will take the matter up with me personally.

In conclusion, I would again assure you that all the matters referred to in your letter under reply are constantly kept in mind and that no effort is being or will be spared in order that the ser-

vice be maintained at as high a level as is possible consistent with the most difficult existing conditions.

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## APPENDIX 33

### New Telephone Connections

*Letter No.* 3099, *dated* 14*th November* 1945, *from Chamber to Bombay Telephone.*

I am directed by the Committee of this Chamber to address you in connection with the above subject.

The Committee would like to state that at the outbreak of war, the military demand on telephone lines was given priority and practically no new lines were given for civilian purposes, either at business centres or at the residential quarters during the last three to four years. The civilian demand for new lines or new extensions could not, as a result of the policy pursued by the Telephone Company during the period of the war, be fulfilled and a large number of business houses had to do without telephone connections. With the end of hostilities, a large number of telephone connections, which were formerly used by the military authorities, could now be switched over to civilian requirements, and the Committee suggest that preference be given to business houses and firms which have been without telephone connections for all these years of war. The Committee beg to request that early steps be taken to consider the above suggestion favourably.

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## APPENDIX 34

### Trunk Telephone Calls at half-rate

*Letter No.* 3105, *dated* 14*th November* 1945, *from Chamber to Post Master General, Bombay.*

I am directed by the Committee of this Chamber to address you in connection with the change in the time at which trunk calls at half-rates are available at present.

It may be recalled in this connection that before the war, trunk calls could be made between the hours : 8-0 P.M. to 8-0 A.M. Due, however, to the pressure of war work and the heavy load of the military on the use of telephone, the authorities changed the time and trunk calls at half-rates could be made only between the hours : 10-0 P.M. and 6-0 A.M. The Committee would like to

point out that the present timings are not suitable to the business community, though they have adjusted themselves with great inconvenience to this new time. Now, however, with the war having come to an end, the load on calls by the military must have considerably been reduced, and my Committee suggest that steps be taken to revert to the original arrangement as it was before the war, viz. from 8-0 P.M. to 8-0 A.M. The Committee trust that you will be pleased to consider the suggestion favourably and thus help the commercial community.

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## APPENDIX 35

### Trunk Telephone Accounts and Departmental Vagaries

*Letter No.* 2358, *dated* 13*th September* 1945, *from Chamber to Director of Posts and Telegraphs, New Delhi.*

It may be recalled that the Committee of this Chamber had occasion to complain to you in the year 1943 in regard to inconvenience caused to subscribers by the Departmental irregularities connected with the Trunk Telephone service. The complaints mainly were that certain subscribers were put on the proscribed list for non-payment of bills and that even after the bills were paid, on occasions, the subscribers continued to be on the list for some time because of absence of timely intimation from the Accounts Department to the Operating Side about the receipt of such payments. The Committee were subsequently informed by your letter No. T|542|43 dated 15th September 1943 that by the transfer of the Trunk Billing work from New Delhi to Bombay, which had been effected, the possibilities of similar irregularities occurring in the future had been removed.

The attention of my Committee has been again drawn to the inconvenience caused to a subscriber by such irregularities. Messrs. Madhavlal & Co., Ltd., a Member of this Chamber, have placed before my Committee the details relating to the difficulties which they have experienced in this regard. The facts of the case are contained in the accompanying copies of correspondence exchanged between them and the General Manager, Telephones, Bombay District, and also with the Chief Accountant of the Trunk Call Accounts, Bombay. The complaint may be divided into two aspects. Firstly, the subscriber was put on the proscribed list in respect of a bill which they had not received. Secondly, although

payment had been made in respect of a Bill, Trunk telephone connection was not given because the Operating Side had not received timely intimation from the Accounting Side of the payment, after the same had been made. My Committee request that you will be pleased to examine this case and take such steps as would regularise the position and eliminate any chances of irregularities of the kind being repeated.

In this connection, my Committee suggest for your consideration, the introduction and enforcement of the following procedure and practice so that chances of such Departmental vagaries are completely eliminated :

1. Bills in respect of trunk telephone service may be sent by Registered Post so that there may be any chances of the same going astray.
2. As soon as a subscriber is put on the proscribed list, a notice to that effect should immediately be sent to him by Registered Post with a view to his attention being drawn to the position. This will facilitate immediate arrangements being made for payment of the bill.
3. The procedure relating to intimation by the Accounting Side to the Operating Side about payment of bills should be made more expeditious so that chances of the subscriber being continued on the proscribed list, even after the bills have been paid, are completely removed.

It is requested that you will be good enough to consider the position created by such complaints and regularise the procedure in such a manner as would completely eliminate the recurrence of such irregularities.

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## APPENDIX 36

### Bombay Telephone Directory

*Letter No.* 2479, *dated* 19*th September* 1945, *from Chamber to Posts and Telegraphs, Bombay.*

I am desired by the Committee of this Chamber to address you in connection with the hardships experienced by subscribers resulting from the present form of the Bombay Telephone Directory and the need to restore the old size, form and features of the same.

You are doubtless aware that the Directory published in its present form is very incomplete in that it does not contain many important features such as numerical index, full addresses of the subscribers, and numbers of the subscribers of Ahmedabad and Karachi. These normal features of the Directory were removed when the supply position in the country with regard to paper became very serious and Government found it necessary to enforce rigid economy in its use. The subscribers in general and the commercial community in particular put up with this obvious defect, as being only one of the numerous inconveniences imposed upon them in war-time conditions. The circumstances, however, since have completely changed, and the supply position with regard to paper has considerably improved. My Committee therefore feel that there is no longer any justification for continuing the present form of the Directory and that the normal features should be restored as soon as possible. It is requested that you will be pleased to give your immediate attention to the above suggestion and thereby remove a genuine hardship of the telephone subscribers.

*Letter No. D|9-D., dated 24th September 1945, from Indian Posts and Telegraphs to Chamber.*

I am in receipt of your letter No. 2479 dated the 19th instant and with reference thereto would advise you that the question of incorporating in the Bombay Telephone Directory some of its pre-war features is under the consideration of the Director-General of Posts and Telegraphs.

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## APPENDIX 37

### Working of Country Craft Control

*Letter No. 874, dated 27th March 1945, from Chamber to Country Craft Organisation Officer.*

The Committee of this Chamber have received a copy of a letter on the above subject dated the 3rd March 1945 addressed by the Malabar Chamber of Commerce, Calicut, to you. My Committee understand that on account of priorities accorded to Military cargoes like Ordnance stores, Tiles and Timber for exports from Malabar and Canara Ports, it has become increasingly difficult for shippers of commercial cargoes to secure vessels for the export of their merchandise to the ports on the West Coast. While it is

appreciated that priorities to Military goods for movement may be necessary during war-time, my Committee are of the opinion that such priorities should not and cannot be allowed to be enforced in a manner that would create a virtual blockade of all civil supplies. These priorities are made more or less absolute against all kinds of commercial merchandise and in effect have created conditions whereby importing centres of necessary commodities from Malabar are being starved of their normal commercial imports. The long established export trade of Malabar and Canara Ports has been consequently completely disorganised.

My Committee further understand that though under the Route Scheme enforced by the War Transport Department by their notification dated the 30th August 1944, the requisitioning of country craft has not been provided for, effective pressure is being brought to bear upon countrycraft in a manner which in actual operation does not differ from that of requisitioning and commandeering. My Committee understand that vessels that enter Malabar and Canara ports for loading are refused Port clearance unless they load cargoes with Military priority and in many cases they are refused port clearance unless they proceed in ballast to such other ports in Malabar and/or Canara where such Military priority cargoes are awaiting shipment. Requisitioning and commandeering cannot go further than that. If the intention of the Government were to requisition and commandeer boats they should have done so under the proper sanctions provided for the Defence of India Rules so that the craft owners and exporters and importers would have at least been fully aware of the intentions of the Government. These indirect methods of effective requisitioning have led to considerable hardships on exporters and importers as well as on countrycraft owners, resulting in more or less a blockade against the movement of commercial cargoes from the Malabar and Canara ports to other centres on the coast.

My Committee also understand that the enforcement of priorities in loading vessels only with military cargoes has not been counterbalanced by any manner of enforcing quick despatch in loading or in discharging cargoes at the ports of shipment or destination. Vessels are detained for days and weeks together awaiting shipments of military cargoes when commercial merchandise that are offering for ready shipments are prevented

from being accepted by the vessels. Similar delays of days and weeks together occur at the ports of destination also. Thus the number of round voyages that most of these craft would have performed, if left free and without the Route Scheme, is considerably lessened by the enforcement of the Route Scheme whose avowed purpose has been to expedite movement of cargoes by the countrycraft. My Committee are further informed that the operation of the Route Scheme without co-ordination between various Government Departments has resulted in severe losses to those who have entered into various contracts with different Government Departments for the supply of non-priority commodities within a specified period, especially commodities like firewood, etc., which can move only by means of countrycraft. These contractors, on the other hand, are being pressed by the respective Departments of the Government to whom they have to supply their goods, for the discharge of their obligations according to the stipulations of the contract. On the other hand, the suppliers are not allowed to ship their commodities to fulfil their obligations with regard to quantities and time because the craft, even though idling for considerable time, at various ports, are either forced by your Department to await the loading of the military cargoes or in the alternative forced to sail in ballast for such ports where military cargoes are awaiting shipment. This has involved the contracting parties into heavy losses and not only that their capital is locked up in the stocks that they have purchased to fulfil their contracts but those stocks are also deteriorating in their export godowns for want of any means of transport. The Committee are also informed that in some cases the Government Departments concerned are threatening these contractors for breaches of contract which breaches have occurred entirely on account of the enforcement of priorities under the Route Scheme. My Committee are constrained to observe that this is a very serious situation indeed and calls for immediate attention of your Department. The Committee, therefore, would thank you to let them know what steps you propose to take to remedy this situation. As the countrycraft season is fast drawing to a close, my Committee would be obliged if proper steps were taken to remedy this situation without any further delay.

The Committee have already referred to the inordinate delays that occur both at the ports of shipment and at the ports of destination to the countrycraft and it is obvious that this is resulting

in heavy losses to the countrycraft owners inasmuch as the number of round voyages that their craft could otherwise have performed has been considerably lessened and the period of enforced idleness at both ends sometimes running into weeks and makes serious inroads into freight earned by their craft during their infrequent voyages. The operation of the Route Scheme, therefore, has resulted only in losses to all parties concerned ; to the exporters of commercial cargoes whom vessels are not available because of military priorities and the craft owners whose vessels are made to wait long periods before military cargoes are served to them and again before these cargoes are unloaded. According to the information received by my Committee large stocks of commercial commodities are stagnating and deteriorating in various ports of shipment on the Malabar and Canara Coasts and my Committee again have to strongly urge upon you to take immediate steps whereby the situation may be prevented from further deterioration.

The Committee cannot help expressing their painful surprise that, despite the utter chaotic conditions brought about in the normal trades of the country by the Route Scheme, the Hon. the War Transport Member should have thought it fit to mislead the legislature by stating only the other day in answer to a question asked in the Legislative Assembly by the late Mr. K. S. Gupta, that " the Route Scheme organised the Country Craft Traffic on an efficient basis and that it would ensure the maximum and most economical employment of all available countrycraft on the West Coast ".

The Route Scheme was inaugurated on the 30th August 1944. All the Kathiawar States have not accepted the Route Scheme even to this day. The Portuguese authorities have totally ignored the Route Scheme and as Mormugao is one of the most important ports of Registry for countrycraft and is one of the most important centres for exports and imports, want of co-operation from the Portuguese authorities has practically rendered the Route Scheme useless in regard to a large number of craft and in regard to a large tonnage of cargo. The Janjira State also has not yet recognised the Route Scheme. It is, therefore, not difficult to imagine that what with want of co-ordination between different Government Departments and want of co-operation from the Indian States and the Portuguese authorities, and what with Military prio-

rities blockading the movement of commercial merchandise and the inordinate delays created in loading and unloading craft, the Route Scheme has succeeded only in creating a chaos in the countrycraft trade such as may be described as unprecedented in its history dating back to nearly a century and a half.

The Scheme has further, in the opinion of my Committee utterly failed to ensure the vital importance of maintaining the normal channels of craft employment ; my Committee have already referred to the paralysing conditions brought about in the exporting trade of Malabar and Canara. They would also like to refer to the fact that those vessels, for example, that should normally have sailed for Iranian Gulf, East Africa and various other ports on the West Coast on the turn of the season, are still being refused clearance and consigned to enforced idleness on the plea that they are required to carry military cargoes to the West Coast ports. My Committee strongly feel that Government have no justification whatsoever for enforcing the Route Scheme at the cost of completely sacrificing the normal channels of trade and craft employment and by virtually blockading the movement of commercial cargoes not only on the West Coast but also between the West Coast ports and Iranian Gulf and African ports. The Committee cannot help reiterating their contention that the Route Scheme has proved, as apprehended, only as an effective restraint on trade of a nature that has no parallel in the Control of Shipping either in this or any other country and instead of providing efficient basis and maximum and most economical employment to the countrycraft as claimed by the Hon'ble the War Transport Member, the scheme has succeeded only in paralysing all commercial enterprise to help the movement of to or three priority commodities like tiles and timber.

My Committee would be thankful if you will let them know without delay as to what steps Government now propose to take in order to set right the grave situation that has been created generally on the West Coast and particularly on the Malabar and Canara coasts as described in the communication of the Malabar Chamber of Commerce referred to above.

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## APPENDIX 38

### Sea Passages for Indians to Mauritius

*Letter No. 3220, dated 29th November 1945, from Chamber to Commonwealth Relations Department, New Delhi.*

I am desired by the Committee of this Chamber to refer to the hardships experienced by Indians desiring to proceed to Mauritius in obtaining passages.

In this connection my Committee have seen a copy of the representation submitted by the Mauritius Textile Merchants' Association addressed to the Secretary to the Government of India, Department of Indians-overseas, in which they have explained that there are a number of Indian merchants in Mauritius who, because of the intervention of the War, have not been able to visit their homeland for a number of years ; and they are now naturally very anxious to return and can only do so if others from here are able to go to that country to relieve them. The Indian Chamber of Commerce, Calcutta, incidentally had taken up this matter with the War Transport Department, but they were advised that no steamer was then scheduled to leave from Calcutta for Mauritius, and they were also informed that the Government were agreeable to register names of Indians desiring to proceed to Mauritius for future use. My Committee are given to understand that the Mauritius Textile Merchants' Association have arranged to submit a list of passengers anxious to proceed to Mauritius to the Ministry of War Transport.

My Committee are now informed that a steamer is scheduled to leave Bombay for Mauritius during the next month and they, therefore, urge upon Government to see that the opportunity is utilized for providing passages for Indians to go to Mauritius, which in its turn will enable the Indians at the other end, who have been cut off from their relations and friends for a considerably long time, to return to India.

My Committee will be obliged if you will take a sympathetic view of the request as aforesaid and let them know the steps that may be taken.

# APPENDIX 39

## Duration of Shipping Bills.

*Letter No. 2576, dated 24th September 1945 from Chamber to Collector of Customs.*

My Committe are informed that in accordance with the practice at present in force in the Custom House, if goods are not shipped within three months from the date of noting the Shipping Bills, the Bills are deemed to have been cancelled and shippers are required to prepare new Shipping Bills against the old ones. It appears that in the existing circumstances of shortage of shipping space, steamers generally are not able to carry the full cargo ; sometimes shippers have also to wait for a fairly long time to get space for their shut-out and unshipped cargo. Practical difficulties are experienced under such circumstances in getting the Shipping Bills cancelled, obtaining refund of duties paid and in preparing new bills against the old ones in time, with the result that shippers might have even to miss the first boat that may be available because of the fact that their previous Bill might have lapsed and a new one could not be prepared in time.

My Committee have received representations from shippers pointing out the above difficulties and requesting them to suggest to you the necessity for a change in the existing procedure and to allow an extension of expiring Shipping Bills. There can be no serious administrative or technical difficulty in adopting such a course. Where Bills have to be cancelled because the cargo could not move within three months from the date of the Bill, the Customs authorities should allow the validation of renewal of the Bill by an endorsement extending its period.

It is requested that you will be good enough to consider this suggestion favourably and take early steps in that direction.

## APPENDIX 40

### Budget of the Government of India, 1945-46

*Press-Note dated 1st March 1945.*

"The Committee of the Indian Merchants' Chamber have issued the following statement on the Budget of the Government of India for 1945-46.

'The Committee of the Indian Merchants' Chamber have considered the Budget of the Government of India for the year 1945-46. They find that it is entirely dominated by the colossal rise of defence expenditure debited to India. During the six years ending the 31st March 1946, the defence expenditure actually incurred and estimated exceeds Rs. 1,700 crores. It is estimated to exceed Rs. 456 crores in the current year, which means that our defence expenditure is now nearly ten times more than what it was in the normal peace time. While one can understand the difficulties of estimating an approximate amount of the defence expenditure in the midst of war, it does little credit to the Finance Department that it could not have foreseen a rise of nearly 96 crores of rupees in the period of nearly 4 to 6 weeks. While the revised estimates of defence expenditure for 1943-44 were put at a little over Rs. 262 crores at the end of February 1944, the actual expenditure debited to the Defence Department at the end of 31st March 1944 came to Rs. 358 crores. It is amazing that there could have been such a tremendous rise of nearly 100 crores of rupees in the period of a month and could not have been foreseen by the Finance Member. Committee wonder if all this huge increase of about Rs. 100 crores in one month, twice the amount of normal defence expenditure of India, could have taken place in the real interests of India and strongly feel that such budgeting requires close scrutiny and careful investigation.

It is, moreover, a cruel joke of the interpretation of the financial settlement that crores of rupees could be debited to Indian defence expenditure if the Indian troops fought on the Indian soil, but they could be transferred to His Majesty's Government if they fought on foreign soil although the distance between the two places may be only a few miles. India is a very vital base for the defence of the United Nations and essential operations are carried out from

such a base in the larger interests of the Allies. These vital considerations seem to have been completely ignored and conveniently forgotten when India is saddled with such a huge amount of expenditure as if it was for her own local defence.

Committee also regret to remark that no date is given in the budget which would enable them to find out what portion of this terribly large cost has been imposed on India by the retention of British and other foreign troops in the country in place of Indian troops sent abroad. While President Roosevelt had made it clear that the contribution of the Allies to the war expenditure for the protection of their common interests should be proportionate to the capacity of each country, the Government of India do not seem to attach any weight to this fundamental principle in determining the amount of the Defence Bill of the country. They seem to share the opinion of Lord Wavell that India is not "unbearably bowed down at present by War taxation". Otherwise, they could not have been a party to the Reverse Lend-Lease expenditure to the tune of nearly 124 crores of rupees as against the estimated Lend-Lease contribution of 150 crores of rupees. It takes one's breath away when one finds that this expenditure will reach nearly 200 crores at the end of the next year.

While the Committee realise that India has to defend herself against foreign aggression and while they appreciate the contention that every country must pay the price of victory, they cannot but feel a sense both of humiliation and oppression when they find that they have no voice in the framing of this colossal war budget which increases year after year, that such expenditure does not enable the people of the country to lay down their own policy of defence, that it does not give any opportunity to Indians to be in real command and lead their armies to victory and that every possible step is taken to keep the Indian entirely out of the organization, control and direction of the vast machinery essential for the defence of their own country. Committee are constrained to observe that such continued subjection to Great Britain in the supremely vital matter of defence after being saddled with the unbearable burden of a colossal Defence Bill has no parallel in the history of the world.

Moreover, while all essential key industries and particularly industries required for defence purposes such as aircraft, ship-building, automobile, steel, chemical, etc. have been started and

developed in other countries such as Canada and Australia in the midst of war so that not only can those countries meet more efficiently their war requirements but may also be able to reduce their economic strain as well as their dependence on other countries for that purpose, every possible opportunity for building up such industries in India has been unfortunately ignored by the Government.

While Committee welcome the special initial depreciation allowances to be granted in respect of new buildings erected and new plant and machinery installed after the 31st March 1945, they regret they cannot share the view of the Finance Member that the

> "scheme of war time taxation has throughout been so devised as not to deplete and on the contrary to strengthen the reserves at the disposal of industries for meeting the calls which will be made upon them in the post-war period".

Not only does the war-time scheme of taxation take away all the extra profits but it also makes a serious inroad in several cases on the standard profits of the industries. The amount of compulsory deposit, including the amount that may be added to it by the Government when the deposit is returned will not really constitute any appreciable reserves for the industries in several cases. The crucial test in this matter is whether the tremendous gap between the replacement cost of the restoration of the machinery of production, not to say anything about its expansion, and the amount available to the industry for that purpose in its depreciation fund can be made up by such reserves, if any, as may have been left to the industry under the existing policy of taxation. It cannot be denied that the policy of taxation leaves no such reserves to industries and consequently, Committee are surprised that the Finance Member should claim that he has shown more foresight than he has been given credit for in this matter fundamentally affecting the industrial future of India. Committee also cannot understand why the Finance Member fails to recognise the necessity of allowing depreciation on the replacement cost of the industries when the Government of India consider it imperative to do so so far as their important commercial assets, namely, the railways, are concerned. Committee would recall in this connection the following observation made by the Railway Member in introducing his Budget last year :

> "Depreciation is calculated on the basis of the original cost of the assets and it is obvious that if it is to be called upon to

replace assets at the level of prices likely to be in force for many years after the war, the depreciation fund should be much larger than it is, even disregarding the question of the adequacy of the existing fund on the existing basis".

That is why the Railways decided, as a commercial organisation, to increase their depreciation fund by nearly 4 crores of rupees per annum and Committee, therefore, expected that if the Finance Member really desired to strengthen the reserves which should remain at the disposal of the industry, as he professes, he would have extended to them the same principles of fairplay and justice in this matter as have been adopted by the Government of India for their own commercial assets, namely, the Railways. Committee feel surprised that in view of the circumstances mentioned above, the Finance Member instead of giving any relief in the matter of taxation to industries, should have increased their burden by levying an additional surcharge of 3 pies on their earnings.

Committee cannot share the feeling of satisfaction entertained by the Finance Member that the Hydari Mission to London will create a better sense of appreciation in the United Kingdom about the magnitude and nature of India's war effort. Nor can the Committee feel enthusiastic, like the Finance Member, that the import of the available supplies of goods from the United Kingdom to India required for public consumption to be arranged by the Hydari Mission, will, in every case, be in the national interests of the country. It is significant to note that the Customs receipts went up by nearly 12 crores over the budgeted figure for the year 1944-45 and that there will be a further increase over that figure of an amount exceeding 12 crores of rupees in the current year. As stated by the Finance Member, such increase in the Customs revenue which, it is remarkable to note, is nearly hundred per cent over the receipts of the year 1943-44, will be due to the larger import of goods into India by the general easing of the shipping position. Committee cannot but view with serious apprehension how such huge imports of consumer goods, as indicated by the increase in the customs duties, will ultimately affect the fate of similar indigenous products made in the country and how it will militate against industries which have proved of great service to the country during the war.

Committee cannot view with equanimity the remark made by the Finance Member that he did not anticipate that any nego-

tiations in regard to the repayment of India's Sterling balances could be usefully entered upon until after the end of the war with Germany. Committee cannot also share the view of the Finance Member that such a delay would not be prejudicial to India's interests. Committee, on the contrary, feel it a great misfortune of the country that the Government of India should have refused to encourage the establishment of key industries or to inaugurate schemes of national development in the midst of the war. They have, in this connection, acted in a manner which is in singular contrast to the efforts put forth by other parts of the British Commonwealth. The absence, therefore, of a development programme whether in the industrial field or in any other field should not be advanced in justification of the postponement of the day of the settlement of the question of the repayment of Sterling balances, but Committee feel that active steps should be taken forthwith in the matter to enable the people to understand how Great Britain proposes to honour and discharge her obligations. While Committee appreciate the belated gesture of the Finance Member that an amount of 20 million Dollars for the calendar year 1944 and a similar amount for 1945 will be earmarked for India's post-war development, Committee are constrained to remark that this half-hearted measure only deepens the common suspicion in the country that His Majesty's Government are taking advantage of their Imperial position and are utilising the circumstances connected with the war for preventing India from carrying on her trade dealings, as she considers best in her national interest, with countries which are outside the Sterling area. Committee, therefore, consider it necessary that the Government should assure the country that they would provide the people with all the necessary Dollar credits that they might require both for their immediate and future needs. While the Committee do not wish to examine in this statement the views expressed by the Finance Member in regard to the future scheme of taxation that may be adopted in the country, Committee are bound to observe that the dictum of the Finance Member that the State ownership of industries would be justified on the ground that it would provide a source of additional revenue in the country, does not only fail to present the picture in its proper perspective but also ignores to paint it in its true colours as a result of wisdom gained by the experience of other countries which have adopted such a role for the State."

*Telegram dated 6th March 1945 from Chamber to Finance Department, Government of India.*

Committee Indian Merchants Chamber have considered the Bill to further amend the Indian Income-Tax Act, 1922, now before the Legislative Assembly. While Committee consider that the grant of special initial depreciation allowance in respect of new buildings erected and new plant and machinery installed after thirty-first March 1945 will give some relief to industries they consider it their duty to emphasise that the real crucial question is for all industries to find finance for bridging the gap between the replacement cost for their assets and their original cost which is bound to be tremendous in view of the enormous rise in cost of machinery and plant which is bound to continue for several years to come. What is essential for all industries is first to find finance out of such reserves as might have been built up to replace their units. Committee regret they cannot share Finance Member's view that scheme of war-time taxation has been so devised as not to deplete and on the contrary to strengthen the reserves at their disposal for meeting the calls which will be made upon them in the post-war period. Committee therefore most earnestly urge upon Government to devise scheme of granting such liberal allowances in such manner as they consider fit as may enable industries to bridge such wide gap betwen replacement cost and original cost without which even the maintenance of existing activities of industries will be extremely difficult without fresh borrowing not to say anything of their expansion. Committee wish in particular to record their protest against and disapproval of the changes proposed to be made by clauses seven and eight thereof. Clause seven seeks to delete certain words from section thirty-four of the Act. Under the provision as it stands in the said section the Income-tax Officer is entitled to re-open an assessment only in consequence of definite information which has come into his possession and therefore he can act under the powers vested in him in the section only if in fact income had actually escaped assessment. The object of the condition governing re-assessment prescribed in the section was not only to prevent the initiation of mere fishing enquiry but to make mere suspicion or heresay information as no justification whatsoever for re-opening the assessment already made. The proposed amendment, however, will deprive the assessees of this much-needed safeguard and they are bound to be subjected to harass-

ment as the Income-tax Officer may order the re-opening of assessments on mere suspicion. Committee strongly disapprove of this change and urge that the existing safeguard should continue and that the Income-tax Officer should be entitled to initiate proceedings under the section only on the basis of definite information about escapement which has come to his notice as is provided in the existing Act. By Clause eight of the Bill it is proposed to add a sub-section to section thirty-eight of the Act under which the Income-tax Officer is authorised to visit the premises of any person and make such enquiries as may satisfy even his curiosity or may remove is mere suspicion. Further the Income-tax Officer if authorised in writing by the Inspecting Assistant Commissioner may not only enter the premises of the assessees concerned for purposes of enquiry only but can also call for and inspect accounts and can also stamp such accounts as he may have inspected. Committee feel amazed that in spite of the universal protest in the country against a similar provision which was sought to be incorporated in the Act in 1938 and the rejection of such a proposal by the legislature it has been revived once again by the Finance Member. They are informed that such powers have no parallel in the Income-tax Law of any other country. The tax-payers are not to be treated as criminals by being subjected to raids by Income-tax Officers or their representatives. Credit and integrity are the key-notes of business reputation and Committee shudder to think what grave harm is likely to be caused to the reputation of a businessman by such encroachments on the sanctity of his civil rights as a citizen. The existing powers under the Act are sufficient to enable the Income-tax Officer to call for such information as may be legitimately necessary for purposes of assessment proceedings and Committee consider the proposed addition as not only unwarranted and uncalled for but extremely dangerous and humiliating. Committee are constrained to add that it is likely to result in oppression and harassment of assessees. Moreover it is relevant to point out that law and order are the exclusive province of the provincial governments and the proposal raises a constitutional issue whether by a provision in a law governing collection of taxes officers of income-tax without magisterial powers could arrogate to themselves the function and authority ordinarily vested in the police and magistracy. Committee do not think that such proposals could be justified even on the ground of evasion of law as is stated by

the Finance Member as they are bound to lead to undue harassment. Committee would most earnestly urge upon the Government to drop the same and all the consequential changes proposed as a result thereof.

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## APPENDIX 41

### Railway Budget for 1945-46

*Telegram dated 16th February 1945 from Chamber to War Transport Department.*

Committee Indian Merchants Chamber have issued the following statement on Railway Budget for the year 1945-46: Committee, Indian Merchants Chamber, have considered speech made by Honourable Member for War Transport while presenting Railway Budget for 1945-46 in Central Legislature. It provides another remarkable illustration of how railway revenues have been systematically underestimated and how surpluses have thereby shown unusual increases year after year. It has become a peculiar feature of every railway budget during the last quinquennium that the surpluses go on showing remarkably progressive increases even in same year when budget is presented when the estimates are revised and when the final accounts are settled. Thus in 1940-41 these surpluses went up from rupees eight point twenty-nine crores budget estimate to fourteen point fifty-nine revised estimate and eighteen point forty-six crores actuals in 1941-42 they rose from eleven point eighty-three to twenty-six point twenty and twenty-eight point zero eight crores in 1942-43 they shot up from twenty-seven point ninety-five to thirty-six point twenty-eight and forty-five point zero seven crores in 1943-44 they took a leap from thirty-six point zero four crores to forty-three point seventy-seven and fifty point eighty-four crores and in 1944-45 they jumped from fifty-two point twenty-one crores to sixty-six point zero one crores. Committee do not think even the exigencies of war could justify the claim that such tremendous jumps in the estimated revenue in the same year are results of careful, accurate and cautious budgeting.

Committee are greatly surprised and deeply grieved to note that in spite of these huge surpluses aggregating two hundred and seventy-five crores rupees for period of six years the War Transport

Member has not earmarked even single pie for providing such facilities as would alleviate hardships of third class passengers and give them comforts and amenities to which they are entitled and which they urgently and very badly need. Last year he proposed to increase the passenger fares by twenty-five per cent and stated that a sum of ten crores of rupees would be earmarked for this purpose out of extra earnings due to increase in rates. Out of extra earnings without the proposed increase in passenger fares of over thirty-two crores according to revised estimates over those shown in original budget for current year of which over twenty-six crores have been contributed by passengers and other coaching Traffic Committee are pained to observe that not a single rupee has been earmarked for benefit of third class passengers. Sympathies of War Transport Member Committee are constrained to remark do not therefore in actual practice flow readily and spontaneously towards third class passengers although he fails not to profess that theirs is really a very hard lot. No national government could have so glaringly and so consistently neglected their obligations in this vital matter towards a class of passengers which forms real backbone of railway economy and which contributes over eighty per cent of passenger earnings as present Government have systematically done all these years in spite of very large surpluses. Committee cannot agree with the inference which the War Transport Member wants public to draw from his remarks that increase in travel shows general prosperity in country. Committee have no doubt that such increased travel is very often due to policy adopted by several departments of Government themselves. Committee are also not convinced by apologia offered by the War Transport Member for preventing travel on foot-boards and of his claim for putting forth vigorous efforts for improving lighting fitting and cleanliness of trains. Indian passengers do not need the help of police to understand how dangerous it is to travel on foot-boards. If War Transport Member were to inspect suburban train service which carries essential traffic from suburbs to Bombay he would be convinced that it is sheer necessity and need of co-operation in war effort which compel large number of people to travel on foot-boards particularly as no proper accommodation is provided for them. Travelling under such conditions for all classes of passengers coupled with want of lighting fitting and cleanliness in coaches of all classes has now become a grave

public scandal and Committee therefore expected that War Transport Member would have instead of finding fault with travelling public indicated with genuine Christian spirit the immediate steps which he proposed to take to remove this dark and ugly spot from railway administration.

Although the real surplus during each of the years 1944-45 and 1945-46 is a little over the huge figure of sixty-six crores new principles of railway finance enunciated by War Transport Member such as debiting major part of the capital cost of new locomotives and wagons to working expenses have reduced it to forty-two crores in 1944-45 and thirty-six crores in 1945-46. Out of the capital cost of over ninety-four crores on new locomotives and wagons sixty-six crores are to be debited to working expenses. While Committee are afraid that this may conceal from public eye colossal surpluses accruing to railways they have no doubt that Finance Member will rise equal to occasion and recognise that industrial organisations which are worked under private enterprise are also run on commercial lines as War Transport Member claims that railways are run and will therefore in all fairness, equity and justice allow industries to debit cost of re-equipment rehabilitation and expansion to their revenue account. There is or there can be no justification to accord to national industries a treatment in such vital matter different from treatment accorded to State railways.

The fact that War Transport Member has placed orders for 1,352 engines and over forty thousand wagons with countries overseas during period of war when other countries having national governments have encouraged and developed their own industries for building them proves conclusively how India's economic and industrial interests have been sacrificed by present Government. Committee however note with some satisfaction that agreement for manufacture of locomotives and boilers will shortly be completed with Tatas and that there will be plenty of orders available for new locomotive works provided funds are conserved for the purpose. Committee trust that this proviso for conservation of funds when large surpluses accrue from year to year will not be used in future for killing locomotive and wagon industry for establishment of which there has been for all these years universal demand in country.

While Committee can appreciate the necessity of close co-ordination between rail-road transport they cannot see any justification for railways dethroning private enterprise in matter of road transport or even obtaining controlling financial interest in private motor transport companies carrying passengers and goods. Whatever may be the view of Provincial Governments in this matter it is not the view of the people as public opinion cannot assert itself in several provinces which can only voice views of Government as they are administered at present under section ninety-three. So far as Committee understand non-official members of Policy Committee did not favour such supplanting of motor transport under private enterprise or even such participation on part of railways and Committee are therefore surprised that War Transport Member should have actually provided thirty-five lakhs during current year and eighty-two lakhs for next year to enable railways to run road transport services.

While Committee note the move to equate port to port railway rates on certain goods with the cost of shipment by sea to ease strain of traffic on railways they consider it essential that railways should not so reduce them in future as to carry on unfair competition with shipping interests carrying coastal trade.

While Committee note with satisfaction the manner in which railway staff has been given much needed help, both in cash as well as in kind to enable them to lighten to some extent heavy economic strain due to increased cost living in these days they cannot share either the sense of satisfaction or the lively elation of the War Transport Member when he says that railways are operated by ninety-nine point thirty-four per cent Indians and Anglo-Indians. Committee cannot help observing that the crucial test in the vital matter as to who really and ultimately work railways is to find out who shape the policy of railways, who control their working and who give necessary directions for their operations and they have not slightest doubt that even War Transport Member shall have to admit that it is eighteen hundred odd non-Indians at top coming from country of the War Transport Member whatever their percentage to total number of the employees of railways may be who actually control railways and determine their policy and future destiny. Unless therefore a real national Government can determine policy of railways and unless national personnel can control

and direct their Working Committee are compelled to sound a note of warning that neither will true interests of India be properly served nor can her future interests be effectively safeguarded.

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## APPENDIX 42

### Anglo-American Loan Agreement

*Statement dated 18th December 1945 from Chamber.*

The Committee of the Indian Merchants' Chamber have considered the proposals connected with the Anglo-American Loan Agreement, as they have appeared in the Press. The scope and extent of, and the terms and conditions governing, the Dollar Loan, which the Government of the U.S.A. have agreed to make available to the U.K., are not matters of direct concern to India. The text of the Loan Agreement and the full implications of the incidental commitments in regard to future international financial and commercial policy are still not available. Certain vital issues, however, of fundamental concern to this country emerge from the main outline and essential features of the Agreement. This country is directly concerned with two important aspects covered by the Agreement, viz : (1) the proposals governing the treatment and disposal of the Sterling Balances, and (2) the commitment regarding the acceptance of a policy suited to multilateral trade.

2. The settlement of the Sterling debts of the U.K. will be, it is reported, on the basis of dividing them into three categories, viz. : (*a*) balances to be released at once and convertible into any currency, (*b*) balances to be released by instalments over a period of years beginning from 1951, and (*c*) balances to be adjusted as a contribution to the settlement of war and post-war indebtedness, or, in other words, scaling down of the debts as such by a part being written off as irrecoverable.

3. The commercial community in India view the above proposals with serious concern. The Sterling Balances represent the compulsory accumulations built up by the country by the sweat and toil of the sons of the soil and at considerable sacrifice and privations suffered by the general mass of population. India had been made to stint to an unusual degree and to tighten her belt in respect of essential daily needs of her people for feeding the war machine and the needs of the Allied Nations in and out of India.

Goods were supplied at controlled prices, which, in many cases, were lower than the prices of similar articles in other parts of the world. This fact has been acknowledged by the Select Committee on National Expenditure appointed by the British Parliament. In several cases, such goods were not available to the Indian public for their own requirements at those prices. Any proposal, therefore, for writing off a part of these Balances as a contribution to U.K. will not be acceptable to this country. These Sterling Balances, again, form a backing to the currency of the country and the writing off any portion of the same will weaken the confidence in our currency and also will retard the prospects of carrying out any of the plans, particularly the plan for increased industrialisation of the country. India is naturally concerned with the present high level of prices prevailing in the country and the difficulties of the wage-earning section of her people on account of the same. These factors, if not brought under control, will lead to the continuance of untold misery to a large section of the population.

4. India had been already made to contribute for the war to a much larger extent than justified by her capacity. Suggestions have appeared, time and again, that, under the so-called Financial Settlement for the allocation of defence expenditure between India and the U.K., India had got off lightly. This settlement was more or less imposed on India by His Majesty's Government and was on more than one occasion revised to suit Britain's requirements. It will not be out of place to mention in this regard that highly-paid and untrained British soldiers were stationed in India and this country was made to bear their expenditure, while low-paid and trained Indian troops were sent out to the different battle fronts of war in Europe and Asia, thereby enabling Britain to spend much less on that account. All talks of India not having borne a fair share of the defence expenditure is, therefore, a travesty of facts. India is not in a position to bear any further burden as a contribution to the settlement of post-war indebtedness. Such a proposal will evoke a widespread feeling of resentment in this country and raise doubts in the Indian mind regarding the *bona fides* of the British people to stand by and discharge their obligations to this country.

5. It is relevant in this connection to point out that Lord Keynes, the Leader of the British Delegation to the Bretton Woods

Conference, in referring to the issue of the Sterling Balances, acknowledged his country's sense of gratitude to India for putting her resources "at our disposal without stint and themselves (Indians) suffered from privations as a result"; and gave an assurance "to settle honourably what was honourably and generously given". The reported proposals which have emerged as a result of the Loan Agreement are, to say the least, nowhere near an honourable settlement.

6. India is in immediate need of a substantial portion of these Sterling Balances for financing her industrial and economic development. If the intentions of Great Britain are *bona fide*, she must first explore every available method to repay her obligations to India. It has been argued that the war has left Britain so impoverished that she would not be in a position, even with the best of intentions, to repay her debts. It is, however, difficult to justify any such plea. For instance, the British assets in India, running into several hundred crores of rupees, might very well mobilised by the Government of the U.K., the owners being paid in Sterling, and the assets being offered for sale in rupees to the nationals of this country. There are talks of earning the goodwill of this country and regulating the future trade and economic relations between U.K. and India by entering into a "treaty". The lack of confidence and understanding likely to be engendered by any mention of scaling down the Sterling Balances will not augur for the success of any such mutual agreement for the future; and the Committee cannot help sounding a note of warning that His Majesty's Government will be sowing the seeds of further distrust and bitterness between the two countries if they persist in the attempt to get any portion of the debt represented by the Sterling Balances written off.

7. The Committee cannot understand why, even now, information about the accumulations of India in the Empire Dollar Pool has not been forthcoming. The Dollars which have been credited to this country in the account of the Pool belong to this country and must be made immediately available for meeting her urgent needs and requirements.

8. The proposal to interfere with India's tariffs and trade conditions will not be acceptable, except on lines decided upon by a Government responsible to the people of the country. This feature of the arrangement is particularly objectionable, as the coun-

try is already faced with the problem of preserving and developing her industries.

9. The Committee deplore the method by which the Sterling Balances have been made to accumulate, in the first instance. There has been a misuse of the machinery of Exchange, and the powers vested in the Reserve Bank of India have not been used in the best interests of this country. Whatever might have been the position during the period of the war, it is now imperative that the continuance of the process of financing purchases in India on behalf of His Majesty's Government by increasing the Note issue here against Sterling accumulations in Britain should definitely stop. Even after the cessation of hostilities, there has been an additional accumulation of Sterling by the Reserve Bank of India to the extent of about Rs. 150 crores. The Committee regret to point out that the Central Board of Directors of the Reserve Bank have not acted wisely or in the true interests of India in this matter and they hope that now at least they will do their duty by not permitting any further accumulations of Sterling.

10. The Committee of the Chamber are constrained to sound a note of warning that the country will not accept the imposition of any financial settlement, until the same is proved to be in her interests and has been accepted as such by her representatives in the Central Legislature. The Committee, however, trust that the proposals, which will be finally made to India, will be such as a self-respecting country can accept, and which will take into account the immediate and permanent needs of this country.

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## APPENDIX 43

### Control of Capital Issues

*Letter No.* 2583, *dated 26th September* 1945 *from Chamber To Finance Department.*

The attention of my Committee has been drawn to a recent announcement in the press to the effect that control of capital was likely to continue for some months more. The note also contains certain figures relating to the number of applications received by Government, their nature and the amount of capital sanctioned. The control of capital issues was distinctly understood to be a war time measure. Even when it was introduced the commercial com-

munity in the country expressed themselves strongly against the same. Now that the war is over, there is no justification for continuing the control and my Committee are of the opinion that the same should be abolished without any further delay. From reports appearing in the press, they understand that the control on capital, necessitated during the war, in U.K. has been removed.

It may be, however, that, in the opinion of Government, there should not be any relaxation of control at least for the present, and there may be some reasons for the opinion thus held. My Committee do not consider that there can be any valid ground now for the continuance of the control; but, if, as they apprehend, Government hold a contrary view, it is but right and proper that they should take the commercial community into their confidence and explain to them the *raison d'etre* for the position they have taken up.

My Committee would also like to have further information regarding the list of applications for which consent was refused. The press-note mentions that till the first quarter of 1945, out of 4,414 applications received, 3,381 applications were sanctioned; thus 1,033 applications obviously have been rejected. In order to enable my Committee to understand whether the administration of the control had resulted in avoidable hardship, it is necessary for them to have a complete list of the cases which were not sanctioned together with a brief statement of the reasons indicating the circumstances under which they were not sanctioned.

My Committee request that Government will be pleased to furnish them this information at an early date.

*Letter No. F-6(4)-E.C.I.-45, dated 1st December 1945 from Finance Department to Chamber.*

I am directed to acknowledge the receipt of your letter No. 2583, dated the 25th September 1945, and to say that the so-called announcement in the press to which you refer in the first para of your letter was not authoritative and to add that the whole question of the administration of the control over Capital Issues is being actively examined in the light of recent developments and that the result will be communicated to you in due course.

As for your request for a list of applications which have been refused I am to express regret that this cannot be supplied.

*Letter No.* 3371, *dated* 14*th December* 1945, *from Chamber to Finance Department, Government of India.*

I am directed to acknowledge the receipt of your letter No. F.6(4)-ECI-45|3871, dated the 1st December 1945 on the above subject, contents of which have been noted by my Committee. Even if the announcement in the press to which attention was invited by my Committee in their letter of the 25th September, was not authoritative and, therefore, not an official statement of the position, the main issue raised by them in their communication has not been dealt with or replied by Government in their letter under reference. The position taken up by my Committee may be restated.

They had pointed out in their above letter that when the Control of Capital Issues was promulgated it was distinctly understood that it would be a war-time measure. Certain steps were taken to compel investment of the capital of companies, which were floated, in Government Securities. In other manner efforts were made to discourage floatation of new capital. Government are, no doubt, aware that, when this above measure was introduced, there was a strong protest by the commercial community in the country against this form of control. My Committee strongly feel that whatever small justification there might have been for the continuance of this control during the period of the war, there is no longer any justification for its continuance now that the war has ended. The Control of Capital Issues, my Committee feel, has acted as a serious impediment to the development of India's commerce and industry. At all events, if Government now feel justified in continuing the control, the least they can do is to take the commercial community into their confidence and give a detailed statement of the aims and reasons which, in the opinion of Government, necessitate the continuance of the control. It is upto the Government to further justify that Government had strong ground for the rejection of a large number of applications for the issue of capital. My Committee had, therefore, requested for the information, and it is regretted that Government are not in a position to state the reasons which led them to reject a large number of applications.

In this connection, the attention of my Committee has been drawn to an announcement in the press to the effect that Government have decided to increase from one lakh to five lakhs of rupees,

the figure upto which issues of capital may be made without their consent or recognition. Even this relaxation is subject to a condition that the increased limit would be applicable only for any period of 12 months. My Committee see no reason for this limitation in period. In short, in their opinion, as the circumstances which necessitated the imposition of the control from the point of view of Government no longer exist, Government should take early steps to end the control altogether and not stand in the way of a free flow of capital for commercial and industrial purposes.

*Letter No. 2926-P.S., dated 25th January 1945 from Finance Department, Government of India to Chamber.*

I am directed by the Government of India to reply to your letter No. F.D.13735-F.D., dated 14th December 1945, about the control of capital issues.

2. The Government of India are unable to find any basis for your remark that when the control was introduced it was distinctly understood that it would be a war-time measure, except in the sense that the control was imposed by rule made under the Defence of India Act. That Act is still in force and will remain in force for some time longer. The Government of India note that your Committee consider that the control should be abolished before the expiry of the Act ; but their own conclusion, on a careful consideration of the subject, is that conditions have not so changed as to permit of this. They have, however, found it possible to introduce considerable relaxations, the most important of which is the issue of a general exemption order in respect of issues not exceeding Rs. 5 lakhs. The Government are considering whether control should be maintained after the Defence of India Act expires, but a decision in favour of such a course would involve the preparation of legislative proposals. If and when any such proposals are prepared, the views of your Chamber will be taken into consideration.

3. You refer to the rejection of a large number of applications. The general reason for such rejections is that the applications failed to pass tests to which Government have given adequate publicity. I am, in this connection, to refer to your statement that the operation of the control has acted as a serious impediment to the development of India's commerce and industry. So far at least as industry is concerned, this seems to reflect a decidedly mistaken im-

pression of the severity with which the control has been administered. The amount of capital for industrial schemes which has been the subject of partial or total refusals from the beginning of the control to the end of September 1945 was 33 crores or only 17 per cent of the total amount applied for (193 crores). In the case of trading concerns, the figure for refusals was 9.8 crores or 36 per cent of the total amount applied for ; it should be remarked that while, owing to the war, many goods and services were in short supply, the Government's policy was not to encourage the admission of new concerns into the scramble for such supplies as were available, because the effect of such a course would naturally be to intensify the tendency for prices to be forced up.

4. With regard to the general exemption of issues up to five lakhs of rupees, your Committee refer to the condition, attached to the exemption, that this is the total amount that may be so issued in any period of 12 months and they see no reason for this. A little reflection will show that if no such condition were imposed, it would be possible for companies, by repeated issues at short intervals, to make the restriction to five lakhs practically meaningless.

*Letter No.* 538, *dated* 21*st February* 1946 *from Chamber to Finance Department, Government of India.*

I am directed to acknowledge receipt of your letter No. 2926-PS, dated the 25th January 1946 on the above subject. The Committee of this Chamber have given the most careful consideration to the explanation and comments contained therein and desire me to address you further in the matter as under :

You point out that Government are unable to find any basis for the observations made by my Committee in their earlier communication that when the Control was introduced, it was distinctly understood that it would be a war-time measure except in the sense that the Control was made under the Defence of India Act. They are unable to acquiesce in the implications of this statement. All emergency measures, which Government found it necessary to promulgate or issue in connection with conditions created on account of the war, were taken by the public to be meant for meeting the emergency and that with the end of the war such measures would go sooner or later. If any Control or Regulation was found necessary after the war, the general understanding was that it would

be on the basis of normal legislation undertaken through the ordinary process of legislation. Moreover, my Committee find that in a press-note which appeared simultaneously with the issue of information about the new Defence of India Rule, 94-A, it was indicated that "the object of the rule was to prevent, in the circumstances of the *present* time, the growth of mushroom companies which stand little chance of survival in the post-war period . . ." The reference therein "to present time" and to "post-war period" obviously implies that the Control was conceived, in the first instance, as a measure for the duration of the war. At any rate, no purpose will now be served by pursuing the point further as the issue, at the moment, is not whether the measure, when it was introduced, was intended to be a war-time measure, but that the war having ended, what steps Government propose to take to either abolish the same or to continue it in such modified form as may ultimately be acceptable to the Legislature of the country.

From the particulars relating to applications considered and rejected contained in the third paragraph of your letter under reference, the following details emerge : that applications to the extent of Rs. 33 crores representing 17 per cent of the total amount applied, were rejected in respect of industrial schemes and Rs. 9.8 crores or 36 per cent of the total applied for trading concerns. There is, however, a general feeling of dissatisfaction existing in the country that the authorities concerned have acted arbitrarily in dealing with these applications, have laid down for themselves tests or standards for schemes being entitled to consideration which had no relevancy to the main purpose or the object underlying the Control, and that even where the applications were in respect of *bona fide* expansion or for post-war projects of long-range importance to the country, the Department had been chary in giving the necessary consent. It was with a view to eliminate chances of such complaints against the arbitrary character of Government's action in administering this Control that my Committee had, from the very start, suggested the association of a non-official Advisory Body to assist Government in the examination and consideration of applications for capital issues. Unfortunately, Government did not agree to that procedure and the mere assertion by the authorities that all applications were considered on their merits and that the Control had not acted as an impediment to the development of India's trade, commerce and industry, will not carry conviction.

It would be interesting to have classified information about the applications for industrial schemes to the extent of Rs. 33 crores and for trading concerns to the extent of Rs. 9.8 crores which were refused.[1] Even at this stage Government should take the public into confidence and give a detailed statement showing the nature of the applications classified according to different industries, the special reasons in justification of the refusal and efforts, if any, which were made to induce the promoters to alter the scheme in regard to details which would make it conform more readily to the tests and standards set up by the authorities.

In conclusion, my Committee are definitely of the opinion that the war having ended, the Control on Capital Issues should no longer continue as an emergency measure, at any rate, it should not be maintained and extended after the expiry of the Defence of India Act. It was only lately that Indian capital has, to a certain extent, got rid of its proverbial shyness. Otherwise, there was always difficulty in securing new capital to the full extent for industrial and commercial enterprise in this country. This change in outlook should be taken advantage of and no artificial impediments should be placed in the way of adequate capital being attracted to new schemes, both industrial and commercial. This aspect has all the more to be emphasised at this stage when India is thinking of all-round industrialisation for reconstructing and rehabilitating her national economy and for improving the standard of living of her population. It is hoped that Government will be pleased to give this long-range aspect its full weight and remove the present restrictions and Control at a very early date.

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## APPENDIX 44

### Bill to Consolidate and Amend the Law relating to Banking

*Letter No. 296, dated 2nd February 1945 from Chamber to Finance Department, Government of Bombay.*

I am directed to refer to your letter No. 4414|33D, dated the 16th December 1944 and in reply to send to you hereby the views of the Committee of the Chamber on the provisions of the Bill and on certain general issues arising therefrom :

At the outset they would like to make some general observations with particular reference to the previous discussion of this

important problem. The need for codifying the Banking Law of the country into a comprehensive Act and in a manner which would integrate the whole credit structure and the mechanism of the country has been recognised and acknowledged and my Committee have, on more than one occasion, pressed on the Government of India the imperative necessity of proceeding in that direction. It is pertinent in this connection to recall that questions relating to the development of banking and other cognate matters were reviewed at great length by the Central Banking Enquiry Committee which was appointed by the Government of India in the year 1929. The said Committee, according to their terms of reference, were required to recommend measures for the expansion of banking facilities with reference to the needs of agriculture, trade commerce and industry in the country, as also for regulating the business of banking with a view to protecting the interests of the public. The recommendations made by that Committee, both in the Majority and Minority Reports, could be divided into three aspects, viz. :

1. Steps for encouraging expansion of banking and providing greater facilities to agriculture, trade and industries ;
2. Protecting indigenous banking from the competition of foreign banks, and
3. Regulating the business of banking in the country.

The Bill under reference is, however, mostly confined to matters relating to the structure and framework of banking as represented by joint-stock banks in the country. Even in the limited sphere of regulating banking activities, it has not taken within its pale other types of credit institutions functioning from times immemorial and existing as an essential link in the organization of credit in the country.

The present legislation thus falls short of the requirements of the situation in regard to those essential directions and my Committee can only express the hope that Government will, without much loss of time, give the necessary attention to those aspects and initiate measures necessary to implement the same.

**Indigenous Bankers**

Even in the matter of regulating the structure and framework of existing credit institutions, the provisions of the Bill as at present

drafted, are confined to the business of banking as represented by joint-stock companies. It is common knowledge that there are other credit institutions in the country performing very useful services in the sphere of meeting the banking needs of the public. The indigenous bankers are an institution by themselves. They have a record of service to the community of which they may legitimately be proud of. Banking, in the modern sense through the framework of banking companies, registered under the Companies' Act, or other enactments, is of recent origin and has yet to cover a substantially wider ground before it can claim to serve the requirements of the country as a whole, particularly in the matter of financing rural areas and agricultural needs of the country. It is pertinent, in this connection, to mention that the Central Banking Enquiry Committee very aptly observed in their Report in referring to the role of the indigenous bankers in Indian economy thus :—

> "Some of the indigenous bankers, at any rate, deserve encouragement and help . . . We are impressed by the fact that out of 2,500 towns in India joint-stock banks and their branches exist in less than 400 places and for banking facilities elsewhere, agriculturists, traders, merchants and small industrialists have to depend largely on indigenous bankers and moneylenders."

It is, therefore a matter for no small regret that no definite steps have yet been taken for integrating the age-long institution into the credit structure of the country. It will not be out of place to recall that when the Reserve Bank of India Act was on the Legislative anvil, the need for linking this age-long institution into the banking structure was recognised and under Section 55 of that Act, the Reserve Bank was expected to initiate proposals towards that end. It is no satisfaction to be told that the discussion of that aspect in recent years has not resulted in evolving an agreed basis on which such a link could be brought about. The matter should not be allowed to rest there and it is the duty of both the Central Government and the Reserve Bank to pursue this aspect and bring about conditions under which the institution of indigenous bankers could be usefully made a part and parcel of the credit structure and thereby enabled to continue their activities in an organised manner.

## Agricultural Credit

In a country like India where agriculture is the main operation or industry, if that term can be used, the degree of development in banking facilities has to be compared in relation to the credit facilities made available for agricultural purposes. On this aspect also, the Reserve Bank was expected to initiate proposals. Although a statutory report as required under Section 55 was submitted to Government, no definite and positive measures have been taken for creating conditions which would allow more timely and easy credit facilities for purposes connected with agriculture. While my Committee realise that the present Bill in its restricted form cannot be expected to cover this aspect, they must, at the same time, emphasise the importance of efforts in that direction in order that the development of banking in the country and regulation thereof may be all embracing and may meet the needs of all classes of the community at large.

## Protection from Banks registered outside India

The Reports of the Banking Enquiry Committee contained very important recommendations governing this aspect. It is by now a recognised factor that the nationals of a country are entitled to the provision of full facilities and scope for expansion in regard to all their economic activities. The policy of discriminating protection accepted in matters relating to the development of industries recognises that principle. In the sphere of banking, it is common knowledge that non-Indian institutions with substantial capital and reserve resources have entrenched themselves in a position of power in the country and my Committee are not raising any political issue if they point out to the need for some adjustment which would afford to Indian-owned interests a fair measure of protection in their day-to-day activities from these non-Indian institutions. My Committee are not unmindful of the constitutional limitations under which the Indian legislature is smarting in regard to these essential matters. At the same time, it is their duty to bring this factor to the prominent notice of Government and the Legislature with a view to proper representations being made for India being relieved of the restrictions imposed by the relevant provisions of the Constitution Act and enabled to take such protective measures as may be dictated in Indian interests. After all the Government of India Act is an Act made by the Houses of

Parliament and if the matter is suitably represented it is not inconceivable that the necessary consent in legal form may be obtained from the same Parliament for enabling the banking legislation of the country to be shaped in a manner best suited to her requirements. While thus this larger issue of protection to Indian banking as such is, at this stage checkmated by constitutional difficulties, even the limited amount of supervision or regulation contemplated for non-Indian banks under the licensing provisions of the Bill is not to apply to banks registered in the U. K. and is further not to apply to such non-Indian banks—both those registered in U. K. and those registered in foreign countries—as are already existing in the country. My Committee are unable to appreciate this undue solicitude for non-Indian institutions as evident from the privileged position sought to be given in the licensing provisions as above. They must record their strong disapproval of the procedure and the proposals in this regard and they are emphatically of the opinion that the said provision should apply to all banks registered outside India, and all non-Indian Banks should be treated on a uniform basis for that purpose and there should be no exemption of existing companies from the said requirements.

**Banks registered in Indian States**

While thus the banks registered in the U. K. are sought to be treated in a privileged manner, banks registered in Indian States are for purposes of this legislation treated as foreign institutions. It is inconceivable that Indian States which have Treaty Relations with British India and which form part of the same geographical entity should be placed in a position of disadvantage *vis-a-vis* their non-Indian compeers. If difficulties inherent in the existing constitutional position will not permit of a common banking law for the whole of geographical India, the least that Government could do to achieve uniformity which is so essential in the larger interests of the country as a whole is, by a process of negotiation and consent, to secure the enactment of corresponding legislation in all the Indian States and thereby on the basis of reciprocal arrangement, bring about the acceptance of a common form and structure of banking law for India as a whole. It is pertinent, in this connection, to mention that an attempt in that direction to a limited extent has already been made in the matter of the Insurance Law and the same process may, *mutatis mutandis*, be pursued for the purpose of a common form of banking legislation.

**The Imperial Bank of India**

The present legislation is intended to apply to only banking companies registered under the Indian Companies Act. The Imperial Bank of India would thus be not governed by the same and would continue to function under its own existing separate Act. When legislation to codify commercial banking on joint-stock basis is being initiated, there does not seem to be any valid ground for keeping the Imperial Bank of India out of the ambit of the same. Whatever may have been the justification for the separate existence of the Imperial Bank under its own charter in the past, the same does not hold good now with the coming into the picture of the Reserve Bank of India. The Imperial Bank is no longer a State Bank in the sense in which it used to function before the advent of the Reserve Bank. It may be continuing to do Treasury Business and acting as the Agent of the Reserve Bank for specified purpose. Even here there is no justification for confining such privileges to the Imperial Bank ; the same should be thrown open to all joint-stock banks and towards that end the special position enjoyed by the Imperial Bank now should be removed and the bank should be required to recondition is structure in terms of the new Banking law of the country.

**Exchange Business**

The position of Indian Exchange Banks in the financing of India's foreign trade still continues to be unsatisfactory. The total volume of import and export trade of India in normal times amount to several hundred crores of rupees per year. The financing of this overseas trade and the foreign Exchange business resulting therefrom still continues to be concentrated in the hands of non-Indian banks known as Exchange Banks. It is felt that facilties should be available to Indian Registered Banks for playing their proper part in this sphere of business. The Reserve Bank has a branch in London and under Section 17(3) of the Reserve Bank Act, it is empowered to rediscount Bills of Exchange and otherwise assist transactions relating to financing of foreign trade. My Committee feel that this aspect of the matter requires to be considered energetically and such administrative steps taken both by Government and the Reserve Bank as would facilitate Indian Registered joint-stock banking getting a fair share of the Exchange business now concentrated in the hands of the non-Indian Exchange Banks.

**Eligible Paper**

My Committee have in the past referred to the fact that the provisions under Section 17 of the Reserve Bank of India Act regarding re-discount facilities and the securities accepted as eligible paper for the purpose, are restrictive and in practice the Reserve Bank, more or less, has to confine the grant of accommodation to chiefly loans against Government securities. The country is on the threshold of a new era of planning and development. There is bound to be need for credit facilities for purposes of industrialisation. New industries are likely to require long-term finance and it is therefore necessary to examine how far the existing restrictions will stand in the way of banking facilities being made available for all such long-term purposes. It is significant to mention that in other Central Banking systems also the practice has recently undergone considerable changes and the orthodox insistence on immediate liquidity has been relaxed. This has been achieved by making eligible for rediscount certain types of paper not possessing the traditional quality of liquidity, by authorising the Central Bank to accept new types of securities as collateral, by empowering the Central Banks to grant direct, industrial and commercial advances. The Bank of France in 1936 was authorised to rediscount Treasury Bills and Bills drawn against grain harvest. The Federal Reserve Bank in 1937 made Financial Papers, Construction Loan Notes and Consumers Papers eligible for rediscount facilities. In Italy, New Zealand and U.S.A. the Central Banks are also authorised to give direct loans for industrial and commercial purposes. The inclusion of Industrial and Commercial Loans as paper eligible for rediscount facilities will enable the Scheduled Banks to be of more practical assistance to commerce and industry as, with the knowledge that on the security of such loans, they would be in a position to get the necessary accommodation from the Reserve Bank, they will be enabled to make their own-lending policies more enterprising and forward. My Committee are aware that this would necessitate an amendment of the Reserve Bank Act. There is no reason, why that could not be done by including a suitable provision in the present Bill. In fact, it is noted that the Bill, under reference, seeks to make an amendment in one of the Sections of the Reserve Bank of India Act *vide* Clause 39. If the need for the reform suggested above is accepted, the question of

procedure need not stand in the way and the necessary provisions could be incorporated in the Banking Bill.

With these general remarks, my Committee would now proceed to give their views on the Clauses of the Bill.

## Part I

## PRELIMINARY

**Clause 1 (2).**—This Act is expected to apply only to British India. My Committee have already indicated the need for securing uniformity in the legislation throughout the whole of geographical India. Efforts should, therefore, be made to get all the Indian States to promote corresponding legislation in their territories.

**Clause 5—Definitions.**—"Approved Securities" are defined to mean securities authorised under the relevant Sections of the Indian Trusts Act, 1882. My Committee are of opinion that the definition should be enlarged so as to include bullion and loans issued by Indian States approved by the Reserve Bank of India for the purpose. Even at present the Reserve Bank is accepting the loans of certain Indian States as security for accommodation.

**Clause 5 (c) Banking Companies.**—is defined to mean as any company which may be wound up under the Indian Companies' Act and which transacts the business of banking in British India. It is presumed that Exchange Banks and other non-Indian banks, which are incorporated outside British India, would be covered by the definition, as they could be wound up under the Indian Companies' Act, so far as business in India is concerned. This point, however, may be made clear, if necessary, by suitably enlarging the scope of the definition.

Obviously, the Imperial Bank of India, which is not governed by the Indian Companies' Act, would not be covered by this Act. My Committee have already, in their preliminary remarks, indicated the need for bringing the organisation of the Imperial Bank also within the frame-work of the new law.

## Part II

## BUSINESS OF BANKING COMPANIES

**Clause 6.**—My Committee presume that the maintenance and running of Safe Deposit Vaults, which is an integral feature of the

business of banking, is covered by the existing list. However, in order to make it clear beyond doubt, an additional sub-clause may be added authorising banks to run and maintain such Safe Deposit Vaults.[1]

Similarly, some banking companies have schemes of insurance for the benefit of the depositors. Often they are conducted through subsidiary companies; this also should be continued to be permitted under the Act.

**Clause 7.**—The Clause, as it stands, prevents a company from using the word "Bank", "banker", or "banking" as part of its name unless it carries on the business of banking. It is presumed that this prohibition does not apply to partnerships or individuals. In any event, my Committee are of the opinion that indigenous Shroffs and bankers should not be prevented from using the word "banker" in describing their profession, even if they are not allowed to be called as banks.

**Clauses 8 and 9—Prohibition of trading and Disposal of non-banking assets.**—It is presumed that dealings in bullion and financing of agricultural commodities are not prohibited under Clause 8; and the explanation appended to this clause should be so enlarged as to cover bullion and specie in the term "goods". My Committee would also suggest the following additional explanation to Clauses 8 and 9:—

> "The prohibition of trading shall not apply to making of loans or advances on pledge or hypothecation of goods or commodities or in enforcing the rights of the banks in respect of such goods or commodities on non-payment of such loans or advances or any part thereof."

Moreover, Clause 9 should be clarified to show that so long as the goods remain in the possession of banks, the prohibition of trading under Clause 8 shall not apply. Similarly the period for which the assets could be retained should be extended from seven to twelve years. For purposes of these Clauses, immoveable property should not be deemed as non-banking asset. These changes are very necessary to adjust the position to the prevailing practices obtaining in the business of banking.

**Clause 10—Prohibition of employment of managing agents and restrictions on certain forms of employment.**—My Committee

are agreeable to the proposal prohibiting managing agencies for banking companies. They also agree that contracts and arrangements for remuneration based on share of profits or commission should not be allowed to continue. At the same time, they cannot approve of any proposal for limiting the discretion of the management as represented by the Board of Directors regarding the amount of remuneration granted or offered to their Managers and other employees in the form of salary. Banking is a highly technical profession, and in order to secure the services of the right and experienced type of personnel banking companies will have to make the terms of service sufficiently attractive. It will, therefore, not be conducive to the proper organisation of banking companies for Government to interfere in any manner in regard to the terms of emoluments that are to be offered to their employees. Moreover, the term "disproportionate according to the normal standard prevailing in the banking business" is vague and indeterminate. Who is to decide as to whether the basis of remuneration offered by a particular bank is in reality disproportionate or not? In the absence of any specific provision, it would appear that even a member of the public would be entitled, under this clause. to challenge the basis of remuneration in force in a banking company, resulting in vexatious legal action. My Committee, therefore, feel that Government should leave this aspect to the good sense and collective wisdom of the Board of Directors managing the Banks. The period of contracts of employment allowed under this Clause should be extended from five to seven years. Similarly, such contracts should also be renewable for a subsequent period of not more than seven years at a time so often as the Directors deem fit.

**Clause 11—Restrictions on commencement of business, etc.**—My Committee are in general agreement with the restrictions and conditions prescribed herein, in regard to capital structure of banking companies. They would, at the same time, like to have the following points cleared. Under sub-clause (2), it is provided that a banking company, incorporated elsewhere than in British India shall keep deposited with the Reserve Bank an amount not less than the minimum amount of paid-up capital and reserves required by the corresponding provisions in sub-clause (1). My Committee presume that the said deposits would be over and above

the statutory requirements relating to deposits laid down in Section 42 of the Reserve Bank of India Act.

**Clause 11 (3) (b).**—My Committee agree that, in future, banking companies should be allowed to have only Ordinary shares and such Preference shares as might have been previously issued. At the same time, they would like to point out that Government should prescribe the necessary machinery for cancelling and paying off the existing Deferred shares ; this is necessary in order to prevent vexatious legal action in respect thereof.

**Clause 15—Restriction on Nature of Subsidiary Companies.**—This Clause places a restriction on the information of subsidiary companies by a Banking company. My Committee would, however, like to submit that the prohibition should not apply to such subsidiary companies already in existence or formed before the Indian Companies' Act, as amended in 1937, came into force.

The formation of subsidiary companies for the conduct of Safe Deposit Vaults which is an essential feature of banking activities, as also for schemes of insurance for the benefit of depositors, should not be prevented. The Clause may, therefore, be suitably modified, so as to exclude such subsidiary companies from the scope of the restriction.

**Clause 16—Restrictions on Loans and Advances.**—The restrictions in this Clause may be divided into 2 parts : (*a*) prevention of loans on the security of the Bank's own shares ; and (*b*) prevention of unsecured loans or advances to Directors or to firms or companies in which any Director may be interested as partner, director or managing agent. My Committee have no objection to the first part of the restrictions, i.e. preventing loans on bank's own shares. Regarding the prohibition of loans or advances, without security, to directors or organisations or corporations in which they are interested, my Committee are constrained to observe that the framers of the Bill have not appreciated the exact implications of the proposals as embodied in this Clause. Generally, the directorate of a Banking company consists of eminent persons drawn from the industrial and commercial life of the country, who have naturally interest in other well-organised commercial and industrial concerns either as directors, or partners in the managing agency, etc. Such commercial and industrial undertakings are, by virtue of their integrity, financial strength and standing, the best clients

of banks, and it is unreasonable to deprive a Banking company of the business of such clientele. A considerable portion of really first-class business offering to banks is in fact clean business and it would not be equitable to preclude a Company of undoubted standing from availing itself of clean accommodation from its bankers merely because the Company and the bank concerned have a common Director.

In this connection, it is pertinent to recall the discussion on Section 86D added to the Indian Companies' Act by the amended Act 1936 which runs as follows :—

86D. (1) No company shall make any loan or guarantee any loan made to a director of the company or to a firm of which such director is a partner or to a private company of which such director is a member or director.

(3) This Section shall not apply to a private company (except a private company which is the subsidiary company of a public company) or *to a banking company.*

Sir N. N. Sircar, the then Law Member, and Mr. Susil C. Sen in their commentary on this section observed as follows :—

"It (Section 86D) has been revised to forbid loans of any kind to a director, and provision has been made for punishment of a breach of the Section. This Section has been made inapplicable to certain classes of private companies and to banking companies."

Later on they also added—

"Banking companies have been exempted in view of the fact that in them the directors are very often their best constituents."

Thus, the special position of banking companies in this regard was recognised even then, and my Committee feel that there should be no prohibition of unsecured loans or advances to concerns in which the directors are interested. After all, the management of a Bank are the best judges relating to the credit-worthiness of their constituents and their discretion as to the basis on which loans and advances should be given should not be fettered in the above manner by the imposition of impracticable and unworkable restrictions. If such a provision is included in the new Law, the result will be that the directorate of banks will be deprived of the services

of eminent persons, who are interested in other walks of industrial and commercial activities.

My Committee would also like to draw the attention of Government to the incidental consequences of any such restriction. The non-Indian banks have naturally no local directorate. Similarly, the Imperial Bank of India, which, as now proposed, would not be governed by the new Act, will also be not affected by the restriction. In the result, companies, managing agencies and other business undertakings, which require accommodation, and the directors of which are on the directorate of their usual bankers will, to a large extent, be constrained to divert their activities to such non-Indian banks and the Imperial Bank of India. My Committee feel that Government should not, even unconsciously, be instrumental in bringing about a diversion of business in the above manner. The restriction, therefore, on unsecured loans to directors or to firms or companies in which the directors are interested, is uncalled for and will, if enforced, lead to undesirable consequences. The object Government have in view may well be served by providing that in the returns to be submitted to the Reserve Bank secured and unsecured loans to directors or to firms or companies in which they are interested, should be separately mentioned and disclosed.

**Clause 17—Licensing of Banking Companies incorporated outside British India or U. K.**—As observed in the preliminary remarks, my Committee are unable to see the justification for excluding (*i*) banking companies incorporated in U. K. and (*ii*) existing banking companies incorporated outside British India from the requirements of this Section. This omission should be made good and even in the case of existing non-Indian banking companies the licensing provisions should be enforced and such existing banks should be required to take out the necessary licence within one year from the commencement of the new Act. The grant of licence to such non-Indian companies should be made dependent on the basis of reciprocity contemplated in sub-clause (2) (*a*) of the Clause, i.e. even in the case of existing companies, the licence should not be granted to a company incorporated in a country the law of which in any way discriminates against banking companies registered in British India.

**Clause 18.**—The term "gold" in sub-clause (1) of this clause should be changed to "Bullion". For the purpose of calculating

the 25% liquid assets, balances held with the scheduled banks and the Imperial Bank of India should be treated as cash. Similarly, loans taken from the Imperial Bank of India and scheduled banks against approved security should not be treated as liabilities in arriving at the percentage.

**Sub-Clause (3).**—Under this sub-clause, banks are required to submit not later than two working days after the last date to which it relates a Weekly Return showing the liability at the close of each day. Submission of such Weekly Statements showing the daily cash position within two days will involve considerable administrative work particularly in the case of banks having branches spread out all over the country. A statement of the position from each such branch will have to be obtained and the Head Office in turn will have to collate the information for submission to the Reserve Bank in a consolidated form. The purpose Government have in view can very well be achieved by requiring that the present Weekly Statement submitted by the banks to the Reserve Bank should include figures of cash and investments. A weekly check in that form is all that is necessary to ensure compliance with the provisions of the Section and it is inconceivable that any bank will so manage its affairs as not to have the percentage of cash resources on a particular day in between the week.

**Section 19—Assets in British India.**—It is provided that the assets in British India shall be not less than 75 per cent of the time and demand liabilities in British India at the close of the last working day of each calendar year. The term "British India" in this section should be changed to "India" so that for the purpose of computing the percentage, the assets held in the country as a whole, including Indian States, will be taken into account. Such assets should be maintained at the end of each half-year, instead of only at the close of the last working day of each calendar year as provided in this Clause.

Under sub-clause (3) Export Bills drawn in India are deemed as assets for the above purpose. My Committee suggest that Import Bills drawn on India should also be similarly treated. In the case of Import Bills the goods covered by them will be actually coming into the country. They are therefore not in any way less secure than Export Bills. Moreover, Indian banks may be expected to have a larger share of business in Import Bills; the cream of the

business relating to the Export Bills is, on the other hand, concentrated in non-Indian hands.

**Clause 21—Return of unclaimed deposits.**—Banks are required to furnish return of all deposits remaining unclaimed for 10 years. In the notes on the clauses circulated by Government, it is mentioned that the underlying object is to enable the Reserve Bank to have the necessary data for the consideration of the question whether deposits remaining unclaimed should be transferred to Government. My Committee wish to record their strong protest against the move as, in their opinion, there is no justification for Government taking any steps for expropriating such deposits. The contemplated move would be extremely unfair and Government should drop the provision altogether and also give up their intention for enlisting themselves with powers to get such deposits forfeited to the State.

**Clause 22—Accounts and Balance Sheets.**—It is presumed that the Balance Sheet required to be furnished in the form prescribed for the purpose is in substitution of the requirement and the form prescribed under the Third Schedule of the Indian Companies Act. It cannot be the intention of Government to require two different Balance Sheets to conform separately to the two Acts. This should be made clear and Banking companies should be relieved from the obligation to submit a separate Balance Sheet as required under the Indian Companies Act.

The form of the Balance Sheet should be settled after detailed consultation with banking interests.

**Clause 23—Audit.**—In the case of a banking company incorporated outside British India the Balance Sheet should be audited particularly in respect of business transacted in British India by an auditor holding a Certificate under Section 144 of the Indian Companies Act. The provision in sub-clause (*b*) permitting such audit by an auditor under the law of the country in which the banking company is incorporated will not meet the requirements of the situation.

**Clause 28—Inspection.**—Credit is a very delicate mechanism and while my Committee are anxious that necessary steps should be taken to ensure that banking companies conduct their affairs in a satisfactory manner, it should, at the same time, be seen that no harm is done to any banking institution by the initiation of

steps for undertaking an inspection of its affairs. Necessary safeguards must be incorporated to ensure that the powers relating to inspection are invoked only after full preliminary enquiries and after the Reserve Bank is satisfied that there are *prima facie* grounds for necessitating a scrutiny into the affairs of a particular bank. The provision that even on an occasion when an offence is likely to be committed, inspection can be ordered, may work out prejudicially to the interests of the bank concerned. In short, the procedure and the powers under this section should be exercised judicially and tactfully.

**Clause 29—Penalties.**—(2) The time of 30 days allowed to a banking company for conforming to the requirements of provision of Section 18 and Section 19 following a notice issued by the Reserve Bank under the circumstances mentioned in the sub-clause should be extended to 60 days.

**Clause 38—Power of Central Government to make Rules.**—Many things in the Act are left to be prescribed by rules. If the draft rules had also been circulated along with the Bill the same would have helped the consideration of the details in all their implications. My Committee request that no time should be lost in framing the rules and circulating the same for public opinion. Over and above previous consultation on draft rules, it should be provided that every rule made under this section shall be laid as soon as may be after it is made before both Chambers of the Central Legislature for one month while they are in session ; and, if within one month from the later date on which the rule has so been laid both Chambers agree in making any modification in the rules or both Chambers agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or shall be of no effect, as the case may be.

**Schedule—Form A.**—As mentioned above the form of the Balance Sheet should be settled after detailed consultation with banking interests. My Committee would at this stage make the following suggestions in regard to the form. On the Capital and Liability side the requirement for showing the "Reserve Fund" and "reserve for contingencies" separately is not necessary. It would appear that the intention is to require banks to disclose their contingency reserves separately. Such reserves are treated by banks all over the world as being in the nature of "hidden" reserves,

and it is very desirable that Banks here should not only be permitted, but also encouraged, to maintain undisclosed reserves in keeping with the volume of the business from which to meet unforeseen contingencies. Similarly, the heading "debts due to banks and agents" need not be split up into two items (*i*) "in British India" and (*ii*) "outside British India". Such detailed disclosure of the nature of the bank's business serves no specific purpose and is not necessary.

Further the items relating to Bills for collection need not again be split up into two separate headings viz. (*i*) "payable in British India" and (*ii*) "payable outside British India". Bills for collection need be shown only in a composite form.

On the Property and Assets side in regard to information about loans, it is not practicable to show figures relating to loans including temporary advances made at any time during the year to directors or managers of the company or those relating to the total amount of loans including temporary advances granted during the year to the companies or firms in which the Directors of the Bank are interested as Directors, Partners or Managing Agents. A composite picture of the day-to-day transactions has no meaning or place in the Annual Balance Sheet, nor does it serve any special purpose. In order to disclose separately the extent to which Directors or Corporations in which the Directors are interested have availed themselves of the facilities of the bank, it may be laid down that the maximum amount due on any one day under each class during the year be shown in the Balance Sheet. The heads in the Property and Assets side in regard to the above item should be changed to that end.

My Committee hope that Government will be pleased to consider the suggestions made herein and make the necessary modifications in the Bill in terms thereof.

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## APPENDIX 45

### Indian Banks and Exchange Business

*Letter No.* 3002, *dated* 1st *November* 1945 *from Chamber to Reserve Bank of India.*

I am directed by the Committee of the Indian Merchants' Chamber to address you in connection with the question of the

position of Indian Joint Stock Banks in the matter of financing India's foreign trade and dealings in foreign Bills of Exchange. This is not an entirely new issue. The bulk of business falling under this category has for quite a long time continued to be concentrated in the hands of non-Indian Banks, commonly known as Exchange Banks. The disabilities inherent in the existence of such a state of affairs were discussed at great length by the Indian Central Banking Enquiry Committee both in its Majority and Minority Reports. That Committee explained that the main reasons which prevented Indian Scheduled Banks from acquiring a legitimate share of this business were the competition from the well-established non-Indian Banks with their huge capital structure and resources, the absence of branches of Indian Banks in London and other important international trade centres, the restricted profits realized from the type of business, etc.

It may be recalled that my Committee had at the interview with Sir Chintaman Deshmukh, Governor, in April last year, again referred to this aspect of the problem, and emphasised the need for the Reserve Bank of India taking positive steps which would facilitate the participation of Indian Joint Stock Banks in the financing of the foreign trade of the country and in transacting and negotiating a good part of the exchange business resulting from that trade. It was expected that with the development of Indian Banking, Indian Banks would be enabled to get their due and proper share in the said business.

While thus the major and larger problem of participation of Indian Joint Stock Banks in foreign exchange business yet remains to be solved, the attention of my Committee has, in the meanwhile, been drawn to a development which, if it takes practical shape, is likely to deprive some of the Indian Joint Stock Banks of even that limited type of indirect business which they are at present transacting in the financing of foreign trade and the negotiation of foreign Bills of Exchange. My Committee understand that some of the Indian Joint Stock Banks have had long-standing arrangements with certain Exchange Banks under which the former are transacting exchange business on behalf of their constituents through the latter on the basis of a share in the commission. The Indian Scheduled Banks in question under that arrangement negotiate Sterling and Dollar Bills received from their clients through an Exchange Bank and, for the business thus put through, they are

paid a commission at rates mutually agreed upon. The over-all rate of commission on Foreign Bills is fixed and laid down by the Exchange Banks' Association and the adjustment of the share, as between the Exchange Bank concerned and the Indian Joint Stock Bank negotiating the business, is done within that limit. Exchange business on the above basis, according to the information placed before my Committee, has been in vogue for quite a long time and there are instances where long-standing arrangements running over years have been in force regulating the basis of transacting such business. My Committee are informed that attempts are being made to upset the above state of affairs and to initiate certain regulations or practices which would preclude Indian Banks from being entitled to negotiate Sterling, Dollar or other foreign currency Bills belonging to their constituents through the medium of an Exchange Bank on the basis of a share in the commission. The Exchange Banks' Association are understood to have recently moved in the matter and decided that member-banks should be prevented from sharing any part of the commission authorised under the Rules of the Association with third parties and that full rate of commission should be charged on all exchange business introduced or negotiated by Indian Joint Stock Banks.

In order presumably to get an official sanction or blessing for the above move, the Exchange Banks' Association in Bombay, it appears, had approached the Reserve Bank of India with their above proposal. The Reserve Bank on its part seems to have issued a circular on 14th June 1945 to the members of the Exchange Banks' Associations in Bombay and Calcutta and other banks dealing in foreign exchange as also to all the other authorised dealers in foreign exchange, communicating the proposal for restricting the freedom in respect of sharing commission resulting from exchange business, and enjoining that all dealers authorised to do exchange business shall not part with any portion or share of the commission fixed under the Rules. From such information as has been placed before my Committee, it would appear that the Reserve Bank authorities are also inclined to give their support to the proposal. The Exchange Banks' Association in Calcutta, in response to the said circular from the Reserve Bank, are understood to have submitted their report agreeing to the suggestion. The matter, however, seems to be kept pending as some of the Exchange Banks, like the National City Bank of New York, the Netherlands India

Bank and the Netherlands Trading Society, wished to have more time to consult their Principals abroad.

If the above information is correct in its main outline and essential details, my Committee cannot help expressing their serious concern at the development. In the first place, they strongly feel that the Reserve Bank of India should not be a party to the formulation or enforcement of any such restrictive requirement which would result in Indian Joint Stock Banks being cut out of this sphere of business. Moreover, there are already subsisting agreements or contracts between Indian Banks and certain Exchange Banks for the transaction of business of this type and the specific performance of such contracts or the duration thereof should not be interfered with by the imposition of any new rules or regulations framed or enforced under the auspices of the Reserve Bank of India. Normally, the Reserve Bank of India is not exercising any control over the terms and conditions governing exchange business. The system of Authorised Dealers has been instituted as a wartime measure to facilitate the administration of exchange control, and my Committee venture to submit that the supervision and control exercised by the Reserve Bank in respect of the wartime control on Foreign Exchange do not necessitate any interference with the freedom till now enjoyed by the Exchange Banks or Authorised Dealers for *inter se* arrangements or arrangements with third parties in respect of share of commission on the business put through by the latter. In short, my Committee are of the opinion that *firstly* the Reserve Bank should have no hand directly or indirectly in bringing about and enforcing a restriction of the kind under discussion, and *secondly* even if, independently of the Reserve Bank, the Exchange Banks through their Association try to bring about such a restriction, the Reserve Bank should not countenance the same and should, on the other hand, put their foot definitely down on the proposal.

It is relevant in this connection to point out that apart from the loss of business to the Indian Joint Stock Banks, who have such agreements with Exchange Banks, there is another far-reaching consequence to which my Committee would like to draw the attention of the Reserve Bank. If the restriction is enforced, Indian Merchants would be obliged to maintain direct contact with Exchange Banks for the purpose of negotiating their Foreign Bills. This naturally will give to the Exchange Banks an opportunity for

exercising pressure on Indian merchants, direct or indirect, for maintaining relations with the Exchange Banks even in respect of other types of banking business. The long-range consequence of this step would, therefore, be that in the name of regulating terms and conditions affecting exchange business, the Exchange Banks would be assisted in securing a diversion of even ordinary banking business of Indian constituents who would otherwise normally be going to Indian Joint Stock Banks. This is a development which has to be guarded against, and my Committee cannot over-emphasise the dangers inherent in the present move from this standpoint.

My Committee earnestly request that the Reserve Bank will exercise their influence and authority and protect the legitimate rights of Indian Joint Stock Banks by preventing the imposition of any restrictions or regulations of the kind in question.

My Committee, while on this subject, would take the opportunity to re-emphasise their view and the request referred to herein in the second para and to express the sincere hope that the Reserve Bank will take early steps in the matter so that Indian Banks would be enabled, with the assistance of and/or through the agency of the Reserve Bank, to transact the overseas export and import trade and exchange business.

*Letter No. 28, dated 4th January 1946 from Chamber to Governor of the Reserve Bank of India.*

I am directed by the Committee of the Indian Merchants' Chamber to invite your personal attention to the communication No. 3002, dated 1st November 1945, addressed by them to you, as Governor of the Reserve Bank, on the question of the position of Indian Joint Stock Banks in the matter of financing India's foreign trade and dealings in foreign Bills of Exchange. An acknowledgment was received from the Deputy Controller, Exchange Control Department, dated 17th November 1945, to say that "the matter is receiving our attention". This was followed up by a further communication from the Deputy Controller, dated 8th December 1945, to the effect that the views expressed by the Chamber in the communication under reference "had been noted." My Committee are extremely disappointed at the tone and tenor of this reply.

Normally, when a reply to the above effect is received, no further communication dealing with the subject-matter of the

correspondence is to be expected. If the above assumption is correct, my Committee feel that the matter should not be allowed to rest there, and the point of view put forward in their previous communication should be reiterated and pursued.

The main issues which formed the subject-matter of the correspondence may be restated. Indian Joint Stock Banks have had long-standing arrangements with certain Exchange Banks under which the former were transacting Exchange business on behalf of their constituents, through the latter, on the basis of a share in the commission. The over-all rate of commission on foreign Bills is fixed and laid down by the Exchange Banks' Association, and the adjustment of the share as between the Exchange Banks concerned and the Indian Joint Stock Banks negotiating the business is done within that limit. Exchange business on the above basis has been in vogue for quite a long time, and, according to the information placed before my Committee, there are instances where long-standing arrangements running over years have been in force regulating the basis of Exchange business as above. Attempts, it would appear, are now being made to upset the above position by prescribing regulations preventing Exchange Banks from sharing any part of the Commission. On the initiative of the Exchange Banks' Association, the Reserve Bank of India is reported to have sent round a circular to all the Authorised Dealers in Foreign Exchange, obviously in the discharge of the control of Exchange business as a war-time measure, restricting the freedom in respect of sharing commission and enjoining such dealers not to part with any portion or share of the commission fixed under the Rules. My Committee had pointed out that the proposal would result in Indian Joint Stock Banks being cut out of this type of business and they had urged that the Reserve Bank should have no hand, directly or indirectly, in bringing about and enforcing a restriction of that kind and that, even if the Exchange Banks, independently of the Reserve Bank, tried to enforce such a restriction, the Reserve Bank should not countenance the same and should on the other hand take steps to prevent the same.

They had also incidentally pointed out that the system of Authorised Dealers in Foreign Exchange business had been instituted as a war-time measure with a view primarily to facilitate the administration of Exchange Control and that the power of supervision and control exercised by the Reserve Bank in respect of Foreign

Exchange business as a war-time measure would not justify any interference with the privilege enjoyed since long before the war by the Exchange Banks and Joint Stock Banks in respect of sharing commission on foreign Exchange business transaction *inter se.*

From the reply now received from the Deputy Controller referred to above, it is not clear as to what further steps the Reserve Bank proposes to take in the matter. It is also not known whether the Reserve Bank proposes to go ahead with the formulation and enforcement of the new regulation preventing Exchange Banks and Authorised Dealers from sharing commission on exchange business. If, however, the Reserve Bank has decided to drop the matter and do not wish to bring into effect the proposed regulation, my Committee may be informed to that effect. On the other hand, if, notwithstanding the objections raised by my Committee, the Reserve Bank proposes to initiate and enforce the restrictive regulation, my Committee cannot help expressing their serious concern at the obvious injustice which any such development would result in so far as Indian Joint Stock Banks are concerned.

The Reserve Bank authorities cannot be unaware of the extreme sense of dissatisfaction prevailing in the country against the existing state of affairs, under which Indian Joint Stock Banks are not able to participate in financing the foreign trade of the country and transacting and negotiating Exchange business resulting from that trade. Against this background, if these Banks are further to be deprived of such business as they might have built up on the basis of arrangements with certain Exchange Banks as referred to above, the same would lead to further consolidation of the monopolistic position of the Exchange Banks in the sphere of Exchange business. It is relevant, in this connection, to point out that Indian Joint Stock Banks, who were since many years doing Exchange business on the basis of *inter se* arrangements with certain Exchange Banks will be compelled to close all their exchange business and be deprived of the profits and perquisites resulting therefrom.

Apart from this direct loss on Exchange business as referred to above, any such development will also contain germs of major potential mischief in that Indian merchants, who would be obliged to make direct contact with Exchange Banks for the purpose of negotiating their foreign Bills, will find themselves subjected to indirect pressure for relying, in a greater measure, on such foreign

Exchange Banks for their other types of banking business as well. The overseas trade of the country is, in recent times, being handled to an increasing degree by Indian merchants. They would naturally like to have all their banking transactions carried out through the agency of Indian Joint Stock Banks. It is, therefore, extremely unfair that the Reserve Bank of India should have any hand in bringing about a state of affairs in which the risk of possible diversion of business from Indian Banks to non-Indian Exchange Banks is present.

My Committee urge that you will be good enough to review and reconsider the matter, and let them know what action you propose to take with a view to safeguarding the just and legitimate rights of Indian Banks in regard to this vital matter and how you propose to ensure the continuance of such Banks in the sphere of foreign Exchange Business.

*Letter No. F.C.S.|12|I-C|AD-46, dated 7th February* 1946 *from Governor, Reserve Bank of India to Chamber.*

"Will you please refer to your letter of the 4th January on the subject of payment of commission by Authorised Dealers in foreign exchange on foreign bills passed to them by banks who do not deal in foreign exchange ? This matter has been receiving our close attention for some time past and discussions have been going on with the banks concerned with a view to the establishment of a satisfactory system. These discussions are not yet complete and for that reason I delayed replying to your letter.

2. You will understand that the problem is not such a simple one, as it appears at first sight, and the establishment of a satisfactory system that will be fair to all classes of banking institutions may take a little time.

3. The Reserve Bank has found by experience that in order to operate a satisfactory system of exchange control it is necessary to limit the number of banks authorised to deal in foreign exchange. The Government of India have laid down certain criteria which must be fulfilled before any new licence is granted, the main consideration being that the applicant bank should be possessed of sufficient resources to enable it to handle a reasonable volume of exchange transactions. In accordance with this policy certain of the larger recently established Indian Joint Stock Banks have been licensed to deal in foreign exchange. It is the object of the Reserve

Bank to see that these banks are given equal opportunities of operating in the foreign exchange market so that in course of time they may build up an active business in foreign exchange. In your letter you state a ban on the paying of commission by authorised dealers in foreign exchange to other banks for business received will result in Indian banks not being able to participate in financing the foreign trade of the country. We are not sure that this correctly represents the position as there is another aspect of the problem that may not have occurred to you. It is a general tendency of banks not authorised to deal in foreign exchange who wish to handle the foreign exchange business of their customers to pass this business through banks in the main ports, who have not got branches in places in which they are represented. The new authorised dealers in foreign exchange, most of whom have a number of branches, and who are working in internal business in active competition with other Indian Joint Stock Banks not authorised to deal in foreign exchange, are finding that the exchange business in upcountry centres where they have branches and which they might reasonably expect to pass to them is being deflected to the big authorised dealers in the main port towns. As a consequence, the normal development of their business is retarded, and they find that they are not obtaining the advantages that they expected to derive from the possession of a licence to deal in foreign exchange. Our problem therefore is to devise a system that will be fair to the Joint Stock Banks and yet not operate to the disadvantage of the authorised dealer in foreign exchange. I may add that the old established arrangements of certain Joint Stock Banks for the sharing of commission have been exempted from the general ban on arrangements of this nature."

*Letter No.* 1118, *dated 2nd May* 1946 *from Chamber to Governor, Reserve Bank of India.*

I am directed to acknowledge receipt of your letter No. ECS-12|IC|AD-46 Gen., dated the 7th February 1946 on the above subject, the contents of which have been noted by my Committee. They are thankful to you for the detailed nature of the reply.

You observe therein that the question of the payment of commission by authorised dealers in foreign exchange on foreign bills passed to them by banks who do not deal in foreign exchange, is still under consideration and that the matter is the subject of dis-

cussions with banks with a view to evolving a satisfactory system which may be considered fair to all classes of banking institutions. My Committee would like to know if there has been any development in that sphere since you wrote to them. They expect that you will revert to the subject when any satisfactory system is established.

While considering your reply, my Committee felt that, perhaps, a personal discussion with you on the subject might help in the elucidation of the exact nature of the difficulties to which a reference is made in your letter under reply. If you agree that such a discussion will be helpful at this stage, I shall be glad to call on you on any day convenient to you. Kindly let me hear from you in reply.

*Letter dated 8th May 1946 from Governor, Reserve Bank of India to Chamber.*

Will you please refer to your letter No. 1118 of the 2nd May 1946 on the subject of the payment of commission by authorised dealers in foreign exchange on exchange business passed to them by Indian Joint Stock Banks ? As I stated in my letter of the 7th February the Reserve Bank of India have given the matter their careful attention and I have now to inform you that after taking all factors into consideration, we have decided to allow the present position to remain as it is. Under the present arrangements existing agreements for payment of commission on exchange business by authorised dealers to banks not authorised to deal in foreign exchange are allowed to stand but authorised dealers have undertaken not to enter into any fresh agreements of this type.

As explained to you in a previous letter, it is the policy of the Reserve Bank of India to assist Indian Banks recently authorised to deal in foreign exchange to build up their exchange business on sound and fair lines and we have come to the conclusion that it would be difficult for them to do so, if banks not so authorised are liable to compete on equal terms by means of commission sharing arrangements with exchange banks in the main ports. We do not think that the continuation of the present arrangement will result in hardship to Indian Joint Stock Banks as a whole because the majority of the larger banks already have limited licences to deal in sterling exchange and it is reasonable to assume that

with the extension of their business they will before long receive full licences to deal in all foreign currencies. Once this position arises they will be as anxious to oppose the commission sharing system as are the banks at present authorised to deal in foreign exchange. We therefore think that the present arrangement under which existing, agreements may be continued but that fresh agreements may not be made for sharing commission is under the circumstances the fairest that can be devised.

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## APPENDIX 46

### Imperial Bank of India—Indianisation of Services

*Letter No.* 3140, *dated 20th November* 1945 *from Chamber to Managing Director, Imperial Bank of India, Bombay.*

I am directed by the Committee of the Indian Merchants' Chamber to address you in connection with the question of Indianising the superior services of the Imperial Bank of India. In this connection, they should like to recall the correspondence that passed between them and your Bank in the years 1938 and 1939 ending with the D.O. letter No. 129 dated 13th January 1939 from Sir William Lamond, the then Managing Director, addressed to Mr. Gordhandas G. Morarji, the then President of the Chamber.

In explaining the position as it obtained then, you had pointed out that the Board of Directors of the Bank had laid down a policy aiming at an Officers Staff consisting of approximately an equal number of Indians and Europeans in all its grades and to reach that position of 50 : 50 it was expected to take about 8 to 10 years more. You had added that the question of the policy to be adopted when that objective was attained was a matter for future decision by the Board of the Bank. It was also mentioned that the bulk of the retirement of the large number of trained officers recruited outside between the years 1921 and 1925 would take place between 1947 and 1949 and that it was the intention of the authorities of the Bank to utilise the occasion of such retirements to accelerate the progress of Indianising the superior services of the Bank. You were also good enough to give the following comparative figures indicating the progress made between the years 1936 and 1939 :

| | 1-1-1936 | 1-1-1939 |
|---|---|---|
| Number of European Officers .. .. | 204 | 164 |
| Number of Indian Officers .. .. | 31 | 27 |
| Number of Indian First Grade Assistants .. .. | nil | 34 |
| Number of European Probationary Officers .. .. | nil | 5 |

The period of 8 to 10 years envisaged by the authorities of the Bank is nearing completion, and my Committee would naturally like to be informed of the progress made subsequent to 1939. They would like to be furnished with the position relating to the present strength of the personnel in the various classes of the Bank's services as above. In particular, they would also like to know how many European officers retired from service during that period and in what manner the vacancies resulting therefrom were filled up. It is also necessary to have information whether the Bank had made any outside recruitment in the process of filling up these vacancies or for new posts, and if so, how many of such hands were Europeans and how many Indians.

As mentioned above, the authorities of the Bank had estimated that it would take between 8 to 10 years to reach the position of an Officer Staff consisting approximately of equal number of Indians and Europeans in all its grades. My Committee presume that this target should have been more or less reached. It was mentioned in the letter of Sir William Lamond, dated 13th January 1939 that the question of the policy to be adopted when that objective was attained would be a matter for decision by the Board of Directors. It would be interesting to know if the Directors have since reviewed and reconsidered their policy and if so, whether they have laid down fresh lines of objective so far as the future is concerned. My Committee will, in this connection, give expression to the strong feeling existing in the country that the time has come when the Board of the Bank should, as a matter of general policy, dispense with foreign recruitment entirely, that all the senior appointments should be confined to Indian personnel, and that all the posts at present held by European officers, by virtue of their seniority and on the basis of existing arrangements, should, at the end of their normal course, be terminated and their places

filled up by Indian officers, either by promotion from the existing staff, or by enlistment of new persons, whenever found necessary.

In this connection, it is relevant to point out that Indian Joint-Stock Banking has made considerable strides during the last decade. A number of new banks have been established ; the number of branches have increased. The Reserve Bank of India has also undergone a great measure of expansion. The Officer services of all such banks, except in very exceptional cases, consist of Indian personnel. The Reserve Bank has shown to a remarkable extent that adequate number of trained and qualified persons are available in this country for filling the different posts of a responsible and specialised character in its various Branches and Departments. A large number of Banking Officials and Assistants are, year after year, qualifying themselves by passing the Examinations of the Institute of Bankers and other Examining Bodies. There is, therefore, no question of dearth of suitable personnel in the country. In fact, my Committee reliably understand that a large number of experienced hands who were previously in the service of the Imperial Bank were attracted to the Reserve Bank and other Indian Joint-Stock Banks because of the lack of adequate encouragement in their previous employment. Whatever might have been the circumstances in the past, it cannot now be seriously suggested that the authorities of the Imperial Bank are perforce obliged to continue a certain proportion of foreign recruitment because they are not able to get suitable Indian personnel in adequate numbers. It is the duty of the Board of the Imperial Bank to take note of the above factors and to lay down, as a matter of general policy, that recruitment of foreign personnel shall entirely cease and that all the posts at present held by Europeans are filled up by suitable Indians as and when the present incumbents retire from service or their period of appointment expires.

Complaint is often heard that there is a great disparity between the pay and allowance paid to Indian Assistants and corresponding European officers doing almost similar type of work. The distinction, it appears, is sought to be justified by the difference in the nomenclatures. My Committee have been furnished with the following comparative picture about the position :

| *Staff Officers.* | | *Indian Assistants.* | |
|---|---|---|---|
| V Grade | Rs. 360-750 | Probationary Assistants | |
| IV Grade | Rs. 540-900 | Recruited direct | Rs. 100-150 |
| | (plus overseas allowances) | From Ranks | Rs. 150-200 |
| III, II, I Grades | Rs. 1,000-2,000 | II Grade Assistants | Rs. 225-450 (old grade) Rs. 225-350 (new grade) |
| Special Appointments | Rs. 2,000-5,000 | I Grade Assistants | Rs. 360-540 |

They cannot help emphasising that it is extremely inequitous and unjust that Indian officers should be paid anything less than their European compeers, doing the same class of work and if, as is complained, the existing nomenclature or classification makes the same possible, the same should be done away with. The officers both Europeans and Indians should have a uniform classification and the scales, emoluments and the allowances should be standardised for each such class, there being no differentiation in the basis thereof as between Europeans and Indians.

In Sir William Lamond's letter of the 13th January 1939, he assured my Committee that there was no post in the Bank to which Indians could not aspire in due course of promotion and that the recruitment of a proportion of European Probationary Officers would in no way impede the progress of those Indian members of the staff who proved themselves qualified for appointment to the higher grades. In this connection, it has been pointed out to my Committee that in actual practice very few Indian Assistants, after about 20 years of service, have been promoted as Grade IV Staff Officers. They reach the maximum of this grade after about 27 years of service, while for European employees of the Bank, it takes only 7 to 10 years to reach the maximum in that grade of Rs. 900.

According to information available to my Committee, it appears that in the Bombay Circle there are 53, II Grade Assistants ; 45 of these have already reached the maximum of their grade, some of them 7 to 12 years back. In the Bengal Circle 76 out of 110 and in the Madras Circle 27 out of 40 are in the same position. II Grade Assistants, when holding the charge of Branch Offices, do not seem to get yearly promotion and several of them are reported to have been working Sub-Agents for a number of years.

Similarly, Indians are not given adequate opportunities in Branches. Indian Assistants are, it is reported, not confirmed as Agents although they work as Agents, sometimes for 8 and 10

years. There are, it seems, cases in which after working for 10 years as Agents, the incumbents have been reverted to the Head Office where they are not entitled to any allowance. Indian Assistants, even when appointed as Agents, are allowed only Second Class Travelling Allowance ; the Staff Officers are, however, allowed First Class fares.

If the information as above is correct in its essential details, the conclusion is irresistible that the terms and conditions of service for Indian Officers in the Bank are not on a footing of par with those for corresponding European Officers doing identical work and that, notwithstanding the assurances given in the past, the progress of Indianisation in its comprehensive and real sense, is still far from being satisfactory.

My Committee would very much appreciate a detailed statement of the position from you. In particular, they would like to have a comparative statement of the number of officers, Indians and Europeans, classified according to the different grades as in 1939 and now, particulars relating to fresh recruitment since then, distinguishing the number of Europeans so recruited, the terms, conditions and emoluments now paid to Indian Officers with information relating to similar terms for corresponding European Officers and finally the policy proposed to be pursued when the present objective of an Officer Staff composed of an equal number of Indians and Europeans, is reached. Incidentally, they would also like to know how many of the 20 or so top posts carrying a salary of over Rs. 2,000 are held by Indians.

An early reply is requested.

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## APPENDIX 47

### Air Travel to U. K. in the Post War Period

*Letter No.* 169|45, *dated 8th March* 1945 *from H. M. Trade Commissioner, Bombay to Chamber.*

I have been asked by my Department in London for information which would enable the British Overseas Airways Corporation to form their plans for their future air services, and I shall be grateful if you will be good enough to let me have the point of view of the Indian Merchants' Chamber in regard to the prospects of Indian businessmen taking to travel by air during the post-war period, which may be undertaken for business, holiday, etc.

I would add that it is suggested that the passenger fares will be slightly dearer, but reasonably in line with basic 1st Class rates of competitive surface transport.

*Letter No. 815-A, dated 23rd March 1945 from Chamber to H. M. Trade Commissioner, Bombay.*

I am directed to acknowledge the receipt of your letter No. 169/45, dated the 8th March, 1945, and in reply to say that my Committee feel that, looking to the increasing air-mindedness all over the world, Indian businessmen might be expected to resort to travel by air in an increasing measure in the post-war period, provided, of course, the conditions and facilities governing such travel are reasonably attractive and the fares are not comparably unduly high.

At the same time, my Committee would like to know as to what steps the British Overseas Airways Corporation and other undertakings which intend to operate this service propose to take to ensure the participation of Indian-owned air services in the traffic between the two countries. You cannot be unaware of the fact that this country is anxious to promote and develop its own air services, and plans and proposals in that direction are under active examination. It would, indeed, be legitimate for such services, owned, controlled and operated by the nationals of the country, to expect fair opportunities for being enabled to participate in and share the traffic between the two countries. My Committee feel that this aspect should be given due consideration and weight by the British Overseas Airways Corporation in their plans for the future and that they should take steps to secure the willing co-operation and active participation of Indian-owned services in the traffic in question.

*Letter dated 24th April 1945 from Department of Overseas Trade, London, to Chamber.*

H. M. Trade Commissioner at Bombay has forwarded to me your letter No. 815 of March 23rd on the subject of the participation of Indian-owned air services traffic between India and the U.K.

I have taken note of your observations, but I am afraid I am not in a position to give an answer to your question. I suggest that you communicate on the subject with the Director of Civil Aviation, New Secretariat, Delhi.

# APPENDIX 48

## Tariff Board Inquiry

*Letter No. 3187, dated 28th November 1945 from Chamber to Secretary, Indian Tariff Board, Bombay.*

The Committee of the Indian Merchants' Chamber have seen the Government Resolution dated 3rd November 1945, announcing the appointment of a Tariff Board to investigate the claims of industries which have been started or developed in war time for assistance or protection during the transition period. The present Tariff Board Enquiry is being held after some years ; the previous Board ceased to function just before the war. In view of this long interval, my Committee consider it essential that they should place before you certain basic ideas and fundamental aspects affecting the whole field of industrialisation in the country generally and more particularly industries which have been set up, expanded or developed during the period of the war. My Committee request that in drawing up the questionnaire and during the process of investigation regarding claims of specific industries, the Board will be good enough to examine some of these general points. The Committee urge that the Tariff Board should press the Government of India to take necessary Executive action immediately so as to remove these general difficulties and create conditions favourable for the development and expansion of Indian industries.

### Simplification of Procedure

My Committee cannot help emphasising the fact that there cannot be any rapid industrialisation in the country if undertakings, which were set up or developed during the period of the war, are permitted to languish and go under. It is, therefore, a matter of extreme importance that timely assistance should be given to all such industries with a view to create conditions which will favour their survival and guarantee their future existence. In order to make this possible, my Committee consider it necessary that the procedure governing the investigations and the enquiry should be simplified and the elaborate enquiries into each individual case, as in the past, will prolong the period of agency and anxiety, and as immediate assistance is the crux of the problem, delay in such formalities should be eliminated. A rough and ready method of

*prima facie* scrutiny into the state of affairs of each industry should be evolved and laid down. The Board should, as soon as they are convinced of a *prima facie* need for assistance for protection, recommend immediate action without going through the whole process of an elaborate and detailed enquiry and a detailed report, as was the case in the past, under normal circumstances. It must be realised that if there is any delay in granting the requisite assistance, the industry concerned will not be able to continue its manufacturing activities, and some of the factories may be obliged to close down. It can easily be appreciated that an industry, having closed once, it will almost be impossible to resuscitate it, even if later on the necessary protection is forthcoming. In order, therefore, to eliminate the chances of the scheme of protection getting too late for being of effective help to the industry concerned, the Board should see to it that the formalities connected with the enquiry are simplified and that their final recommendations are made with the least possible delay.

**Conditions governing protection—period of protection**

In the Statement on Industrial Policy issued by the Government of India in April last, it was mentioned that Government were considering the question of liberalising the terms and conditions governing the grant of protection to industries in this country. Members of the Tariff Board must, no doubt, be aware of the strong feeling existing in the country that the conditions which were laid down, following the Fiscal Commission Report, governing the grant of protection to industries were unduly orthodox and had stood in the way of certain industries being entitled to assistance in their process of development. Although there is no specific mention in the resolution constituting the present Tariff Board about any changes in these conditions, my Committee presume that in the present series of enquiries, the *ad hoc* Tariff Board are free to make recommendations regarding assistance and protection without their discretion being in any way fettered by the qualifying conditions of the past. My Committee regret that the period for protection or assistance is limited to three years. This period is too short and my Committee feel that it should be extended to at least seven years, the normal term for which protection was generally recommended in the past.

## Purchases by Government and semi-Government bodies

Various items of stores, spare parts, equipment and other manufactured articles are required for Government Departments, Railways, Provincial Governments, Public Works, Indian States District Boards, Port Trusts, Municipalities, etc. Many of these items were supplied during the war by industries established in India. The close of the war has resulted in reversion to pre-war practice of getting them from abroad. Government have themselves in certain directions offered facilities for such imports and requested His Majesty's Government through the High Commissioner and other channels for facilities for the renewed supply of these materials from the United Kingdom. It appears that, so far as the railways are concerned, special steps have been taken for the resumption by the Railway Board of the control of supply for the various State Railway systems in India, which involves the collection of these requests and the orders being placed in the United Kingdom to the serious disadvantage of established industries in India. A scrutiny of all orders, which are placed outside in the case of material, which was supplied during the war by Indian industry, is therefore desirable. The Indian industries concerned, if called upon, could easily indicate the nature and variety of such articles which they supplied during the war to Government or semi-Government Departments and the Railways.

The plea, that such goods cost more when purchased in India than when imported from the United Kingdom, cannot be made by Government, consistently with their offer to protect Indian industries through the Tariff Board. If the private consumer of imported goods is called upon to bear some burden (which Government say must not be excessive) in order that industries, which deserve protection, should continue in existence, how can Government plead the issue of price and cheapness in favour of placing orders abroad of goods, which were at the time of trouble produced by Indian industry in this country ? In other words, Government patronage cannot be withdrawn either suddenly or to the extent of driving factories into liquidation, on the score either of convenience or price, without involving a reproach and without the good intentions of Government in regard to protection of war industries being called into question.

## Tariff Inequalities

An examination of the Tariff Schedule discloses that, apart from the revenue duty, many raw materials are made to pay 30% or more. Amongst these are :

| | Nature of duty. | Standard rate of duty. | Empire preferential rate of duty. |
|---|---|---|---|
| Writing paper ... | Protective | 25% | 12% |
| Printing paper ... | Revenue | 30% | 12% |
| Books ... | | Free | Free |
| Steel ... | Protective | 1½ times excise plus Rs.—— plus 1/5th duty. | 1½ times excise duty plus Rs.—— plus 1/5 duty. |
| Copper wrought ... | Preferential | 36% | 24% |
| Copper scrap ... | Revenue | 30% | |
| Aluminium circles, sheets and other manufactures ... | ,, | 30% | |
| Lead ... | ,, | 30% | |
| Nickel silver ... | ,, | 30% | |
| Zinc, unwrought, ingots, etc. ... | Free | Free | |
| Zinc, wrought or Mfg. ... | Revenue | 30% | |
| Brass, wrought and Mfg. ... | ,, | 30% | |
| All sorts of metal not otherwise specified ... | ,, | 30% | |
| Machinery, prime movers, boilers &c. | ,, | 10% | |
| Machinery generally | ,, | 10% | |
| Machinery (to be worked by manual labour or animal) | ,, | 30% | 24% |
| Electrical instruments, apparatus and appliances ... | Preferential | 30% | 24% |
| Camphor ... | Revenue | 60% | |
| Tin Block ... | ,, | Rs. 375 per ton | |
| Passenger lifts and Component parts | ,, | 30% | |
| Wireless Reception Instruments and apparatus and component parts thereof etc. ... | Preferential Revenue | 60% | |

There can be no justification for taxing the raw material at the entry at a rate higher than the finished article when it comes. This anamoly occurs with regard to certain finished articles, which are taxed at a lower rate than the raw material for its manufacture. Not only that, but it should be remembered that the Fiscal Commission had specifically recommended that raw materials required for Indian industries should ordinarily be admitted free of duty. The Government of India have, therefore, not only not followed the recommendations of the Fiscal Commission, but have definitely adopted a policy in certain cases to impose higher duty on raw materials and a lower duty on the articles manufactured out of such raw materials with the result that it has adversely affected India's industrial progress. Instances relating to such tariff inequalities were referred to the Tariff Board from time to time. There were several enquiries in this sphere, viz : Camel Hair, Cotton and Canvas ply belting, electric wires and cables, manila rope, printing type, carbon brushes, healds and reeds, shuttles etc. The complaint in all the cases was that some of the essential raw materials required in the industries in question were paying a rate of duty higher than the corresponding finished products. In certain cases the defects were remedied, but in regard to certain industries like the shuttle manufacturing industry and the healds and reeds industry, the grievance continues and the raw materials are paying even now a rate of duty higher than the finished goods. The Board will be pleased to go into this aspect of the matter and examine all instances where difficulties of the above kind are experienced and make recommendations which would remove this injustice.

More financial considerations cannot now be stated for the immediate correction of this evil, as the percentage, which such duties bore to the total revenue in the pre-war times, was very much greater, whereas at the present moment the loss of the entire revenue on the import of raw materials in India would be only a fleabite.

How can Government avoid the occasion for correcting tariff inequalities generally when some of these are directly affecting the range of industries entrusted to the Tariff Board ? On what excuse can this be put off ? On the other hand, if this matter is immediately corrected, it will establish Government's absolute *bona fides*

that the tariff system in India would be on scientific lines and not inconsistent with the growth of India as a manufacturing country.

The request for protective tariffs for any industry pre-supposes that the existing tariff system does not work against it and that it is being given something additional, but a close examination has disclosed that in many directions the existing tariff system not merely does not confer any favour on any industry, but is actually a hindrance to it. It does not protect, but it actually kills. Such tariff inequalities cannot be permitted to continue any longer without very legitimate discontent amongst the business community. They cannot be continued without a grave reflection on Government, particularly when these are disclosed almost in the first effort of the Tariff Board to examine the position generally.

## Elements of Scientific Tariffs

The manufactured article, when it is imported into this country, should be taxed at not less than 30 per cent, no matter under which group or class it may come, or even when it comes as part of the equipment and machinery, which are liable to a lesser duty.

In the schedule of tariffs, raw materials, semi-manufactured articles and final manufactured articles should be separated, and there should be a definite gap between all these classes so as to afford a minimum degree of protection to the people preparing semi-manufactures or final products in India.

## Export of Raw Materials and Scrap

It is necessary to prevent export or re-export of such raw materials, scrap or semi-manufactured articles in which India is deficient as a whole and in which the industries established in India are at present suffering from a general shortage.

Unless a case is made out for any particular kind of raw material, scrap, or semi-manufactured article, that it cannot be adequately absorbed by the existing industry, licences or permission for such export should be withheld.

My Committee hope that the Board will be pleased to give due consideration to certain general issues and aspects raised by them herein.

# APPENDIX 49

## Enquiry into Stock and Share Dealings

*Letter No. 2432, dated 18th September 1945 from Chamber to Director of Research, Finance Department, Government of India.*

I am directed to refer to your letter of the 10th March, 1945, forwarding a questionnaire issued by you on the above subject, and to send to you hereby the views of my Committee on certain main points arising therefrom.

2. Your letter and the questionnaire annexed thereto did not give any indication of the *raison d'etre* of the enquiry or the aspects which Government expected commercial bodies to particularly deal with. My Committee, therefore, addressed a letter to you on the 18th April, seeking elucidation on those aspects. A reply was received on 7th June from the Finance Department of the Government of India, explaining that the enquiry was inspired not by any idea of impending the operations of stock exchanges conducted on right and proper lines, but because according to the information which had reached Government, it was felt—apart from the other reasons mentioned in the letter—that the transactions had led to an intensification of speculative activities, which were open to objection on the gound that they contributed to inflationary tendency. This reply, however, did not throw sufficient light on the main aims and objects of the Departmental enquiry. My Committee are mentioning this with a view to point out that they felt themselves handicapped in formulating their views by this essential omission of an indication of the objects and reasons behind this enquiry.

3. My Committee are unable to subscribe to the view that speculative activity had contributed to an inflationary tendency in the country. In fact, if there is any connection between the one and the other, the converse is the case. Inflation might have aggravated speculation. Inflation was caused by circumstances which had no connection whatsoever with speculative activity. The chief contributory factor to the prevalence of inflationary tendency in the country during the period of the war, and particularly in the later years, was the defective method of financing war expenditure in India adopted by the Government of the country which resulted in the huge accumulation of blocked Sterling on the one hand, and

the creation of large currency and credit against the backing of such sterling on the other. Neither is this the occasion, nor is it relevant to the main purpose of this reference, for entering into a detailed examination of the defects and drawbacks of that policy. My Committee, however, feel impelled to refer to this aspect in view of the assertion in Government's reply that speculative activity in the stock exchanges and outside had contributed to inflationary tendency.

4. Coming to the present enquiry and the questionnaire circulated by you, my Committee do not propose to reply to the various questions *seriatim*. They would confine their remarks to a general statement of their views on broad issues of policy or principles arising out of the enquiry, and the specific issues raised in some of the questions. They feel that such a procedure would be more helpful in focussing attention on the main and fundamental aspects of the problem. Government would no doubt have opportunities of getting the factual data and other detailed information postulated by the different questions from sources and interests more directly and actively connected with the operations or management of stock exchanges as such. Thus the questions seeking information on factual aspects relating to organisation and constitution of stock exchanges might more appropriately and fully be dealt with the exchanges concerned officially or by persons in intimate contact of the affairs of such exchanges.

5. It is by now generally recognised that stock exchanges conducted on right and proper lines are an indispensable component of organised commercial and industrial activity. Reasonable facilities for Forward Trading in stocks and shares are also necessary for the convenience of the investing public. The acceptance of this principle necessitates the initiation of measures and steps which would bring about the establishment of the machinery of stock exchanges in all suitable centres conducted on proper and healthy lines. It should not be forgotten that it is the duty and responsibility of these exchanges not only to protect the legitimate interests of the investing public but also to encourage efforts for drawing out and mobilizing the capital in the country. To achieve this object, the first essential step is to bring about uniformity in the legislation regulating transactions in stocks and shares. The stock exchanges should be governed by an All-India Act. The rules,

regulations and requirements of all the stock exchanges should be standardised and made uniform. Forward Trading, at any rate, should be allowed only on stock exchanges which accept and conform to all the rules and regulations framed thereunder. This should be the first plank in any proposal for reforms connected with the regulation of dealings in stocks and shares in the country.

6. My Committee are aware that this suggestion raises certain constitutional issues. In terms of the devolution of powers under the existing Government of India Act, regulation of trade and commerce, markets, etc. within the province, is a provincial sphere. The Central Legislature can deal with this matter only if the constitutional difficulty is got over by suitable amendments to the legislative lists. Alternatively, the Central Legislature can be empowered to take action in this matter by the Provincial Legislatures conceding, as in the case of the recent legislation covering trade in drugs, the right to the Centre. In the latter event, even if a Central Act is passed, the administration and enforcement of the same will vest in the Provincial Governments. My Committee are not sure whether such a procedure will detract from the main object of achieving administrative uniformity also. This point should be further investigated, and in their view the constitutional difficulty should be got over by securing a change in the position so as to transfer the control and regulation of dealings in stocks and shares to the Centre. This is not the proper occasion to make any detailed suggestions regarding the scope and extent of such an All-India legislation covering transactions in stocks and shares. If the central principle is accepted, Government could, in due course, frame suitable proposals in the form of a draft Bill and circulate the same for eliciting public opinion. My Committee, therefore, do not propose at this stage to enter into a discussion of the various aspects connected with stock exchange transactions which should be covered by the proposed legislation. At the same time, they would like to give an indication of their views on certain issues, which are of a fundamental nature, so as to be of guidance to Government in formulating their proposals in that regard.

7. **Forward Trading.**—My Committee have already mentioned that facilities for forward trading in stocks and shares are necessary for the convenience of the investing public. At the same time, they feel that this facility should be accompanied by a system

of margin. As far as their information goes, the margin system is understood to be working well in the New York Stock Exchange; it is also working well at present in Bombay for forward trading in cotton under the control of the East India Cotton Association, Ltd.; and while they do not wish to make any suggestions here regarding the nature, extent and form of the margin for forward trading in securities, which obviously will have to vary with particular requirements of the classes of scrips or shares, they would request Government to investigate this aspect fully and to include in their proposals a scheme for the introduction and enforcement of a system of margin as a condition precedent to permission for forward trading, wherever such trading is carried on.

8. My Committee are opposed to any proposal for enacting a permanent provision on the lines of Rule 94C of the Defence of India Rules.

9. **Over Trading:** Over-trading is a malady connected with some of the evils of activity in stock exchanges. My Committee feel that introduction of a margin system will, to a great extent, check over-trading and is the best and safest remedy. Besides, classification of members of Stock Exchanges into Brokers and Jobbers will also contribute towards checking over-trading. In the London Stock Exchange, (e.g.) the functions of brokers and jobbers are separate. Brokers should not be allowed to do jobbing themselves. Members of the Stock Exchanges should be called upon, at the beginning of every official year, to declare whether they intend to work as a jobber or a broker and this classification should be strictly enforced. With a view to the separation of Brokers and Jobbers, my Committee consider it necessary that Government should take steps to reduce the Stamp Duty in the case of shares transferred to the name of a Jobber, as in London, where the Stamp Duty is only nominal.

10. **Blank Transfers:** Although, as explained above, my Committee are not replying to the questions in the questionnaire in detail, they would like to give their views on certain points covered by the questions, so as to be of guidance to Government in formulating their proposals for an all-India legislation, and regulations covering those aspects. The present practice of using blank transfers is, to a large extent, according to their information, due to the high scale of stamp duty on transfers. If the rate of duty

is made nominal, the practice of using blank transfers will be considerably curtailed. This again is a matter in which coordinated action between the Centre and the Provinces is necessary, as the scale of duty is fixed by the latter. My Committee had in the past represented this aspect to the Provincial Government. In any event, they do not welcome any proposal for enforcing the registration of transferor's name, as the same will stand in the way of easy and ready credit facility being availed of against security of stocks and shares.

11. **Stagging:** One of the questions asks for information and views about stagging in shares. My Committee are informed that certain practices by company promoters contributed to stagging. Thus if in the case of a new flotation a large part of the capital was retained by the Directors and the promoters, the public being only offered a small proportion, there would be a scramble for the shares of that company, resulting subsequently in shares of the holdings of the promoters being released at a premium. The issue of shares at par to the directors and promoters and at the same time at a premium to the public, about which certain instances were brought to the notice of my Committee, would also lead to stagging. They feel that this could be checked by suitable regulations in the proposed Central Legislation. It should be provided that the listing requirements of all the stock exchanges should lay down that a fairly reasonable proportion of all new issues should be offered to the public ; what that proportion should be is a matter for detailed consideration. It should also be provided that shares be issued on uniform terms and conditions as regards their price and voting rights both to the Directors and promoters and the public. The proposed regulation should also enjoin in respect of any company which is listed in any stock exchange that as soon as the directors of the company decide the question of dividend, a public announcement of the rate of dividend recommended should be made. This will eliminate speculative activity between the time the directors prepare their report and its publication.

12. **Investment Trust:** Investment Trusts play an important part in the mobilisation of capital required for industries. As the Government are anxious to promote the rapid development of industries in the country, it is essential to encourage the establishment and working of such Trusts on sound and healthy lines. So

far as the Committee are aware, there are four important Investment Trusts in the City and their working, according to their best information, has been fair and satisfactory. It is understandable that, in the early stages, large financial houses interested themselves in the formation of such Trusts and their various other activities as brokers in other capacity may have enabled them to carry out the objects with which such Trusts were brought into existence. The Committee, however, feel that, so far as the constitution of Trusts is concerned, care should be taken to see that the management of such Trusts should have no direct or indirect interest in the firm of brokers through whom transactions of shares which they may underwrite are put through.

13. **Unitary Control:** If the Stock Exchanges are controlled and regulated by a Central Law, governed by identical rules and regulations my Committee are of the opinion that there should be no legal bar to more than one Stock Exchange functioning and operating in one city or town.

14. As explained above, my Committee have dealt herein only with certain central issues which, according to them, should form the main basis for any attempt for reforming the law, procedure and methods connected with trade in stocks and shares in the country. They have not made any suggestions regarding the administrative machine necessary for this purpose, as the same will depend on the nature and scope of the legislation that is ultimately passed. My Committee hope that as soon as Government have formulated any tentative proposals as a result of the present enquiry, the same would in due course be circulated to commercial and public bodies, so as to enable them to furnish to Government their considered views on all the aspects in detail, which naturally cannot be dealt with in a memorandum of this general character.

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## APPENDIX 50

### Restrictions on the Share-holding Register to Persons of Indian Nationality

*Letter No. 2422, dated 17th September 1945 from Chamber to Planning Department, Government of India*

I am desired by the Committee of this Chamber to invite your kind attention to the announcement made by the Government in

April last that it was their policy to " take positive steps to encourage and promote the rapid industrialisation of the country to the fullest extent possible ". The fundamental objects underlying this policy are, as emphasised by them,

(1) to increase the national wealth by the maximum exploitation of the country's resources ;

(2) to make the country better prepared for defence ;

and

(3) to provide a high and stable level of employment.

It will be recognised that the national wealth of a country can only increase if it is retained in the hands of the sons of the soil. It is, therefore, essential, as was emphasised at the meeting of the Industrial Policy Committee, that " the benefits of a national economic policy should be confined to really national concerns ". That is why there is a concensus of opinion in the country that industrial development cannot take place in the real national interests of India, unless the industries, established or to be established in the country, are owned, controlled and managed by Indians themselves.

2. The bitter experience which India has got by the penetration of foreign capital in this country and unceasing struggles which Indian industries have to carry on to exist in face of the menace of innumerable " India Limiteds " brings home to every one of us the stern realities and the great truth contained in the propositions mentioned in the above paragraph. It is, therefore, my Committee are constrained to observe, to be deeply deplored that the Government of India have not made it clear in their statement of industrial policy that it will be the Indian capital, Indian control and Indian management which alone will be allowed to establish and develop industries in India in the future. This glaring omission from the statement of their policy leaves it open to the foreign capital to continue to exploit India economically and to prevent the development of Indian industries for the real benefit of the nationals of the country in the future as it has done in the past. " The building up of industries where capital, control and management should be in the hands of Indians is a special object which all have in view " has been the really vital and fundamental basis of true national industrial development of a country was

recognised by the Government of India themselves as far back as 1916. It was given expression to by Sir William Clark, the then Member for Commerce, when he spoke on a Resolution which led to the appointment of the Industrial Commission. He deprecated at that time the taking of any steps which might "merely mean that the manufacturer who now competes with you from a distance would transfer his activities to India and compete with you from within your boundaries". That is what "India Limited" have been doing with their immense financial resources. The result has been that the industries, thus established in India, only provide country's exploitation by foreigners and instead of increasing national wealth, it only serves to drain it away from the country year after year. My Committee, therefore, cannot help stating that this condition alone justifies the demand in the country that industrial development should only mean that industries to be developed must be owned, controlled and managed by the nationals of the country.

3. There is, however, another and a more grave objection against the penetration of foreign capital into India. It has created foreign vested interests. These interests have led to the political domination of India by foreigners. They have not only stifled and suppressed the free expression of political opinion in the country, but they have also done their worst to prevent any effective step being taken for securing for India her political freedom and independence. It is these foreign vested interests that have been responsible for the Commercial Safeguards which disfigure India's constitution. As rightly remarked by the political leaders in the country, these safeguards are "intended and calculated to preserve to foreign nationals, and particularly British capitalists, the exploitation of the natural wealth and resources of this country". The representatives of the people, therefore, assembled in the Central Legislature, demanded their immediate abrogation in April last. No patriotic Indian, my Committee are fully convinced, can conceive India's rapid industrialisation of India in India's national interests, while these Commercial Safeguards giving the Britishers a free charter for the exploitation of India's wealth in their interests continue to disgrace the Statute Book. My Committee would, therefore, like to urge upon the Government of India in all earnestness and with all the vigour at their command that it is imperative

in India's national interests that not only should the Government take immediate steps for the removal of these Safeguards from the Statute Book, but they should also declare forthwith that it is their considered policy that the rapid industrialisation of India shall mean that the industries, to be established and developed in the future, shall be owned, controlled and managed by the nationals of the country. In this connection, my Committee would like to bring to the notice of the Government the heartening observation made by the Planning Member, both on the eve of his leaving London and immediately after his recent arrival in this country, that it was difficult "to reconcile the interests of India and the demand of the foreign industrialists. Indians did not wish that foreigners should be partners in the capital. They merely wanted capital goods and plants for the starting of heavy industries". The Planning Member remarked on another occasion :

> "India intends to control her own expanding industries" ;

and added that

> "if the foreign firms wanted a share in the control of the industries, those die-hard firms will not get our orders".

My Committee would like the Government to note the significance of the words of the Planning Member "those die-hard firms will not get our orders". It is, therefore, clear that India wants to own all important ventures that she would launch and India is determined both to manage as well as to control the ventures that will be thus brought into existence. Even the Planning Member is not prepared to allow the foreigners to control and manage the industries that may be established in India in the future. My Committee have, therefore, no doubt that the Government would realise the gravity of the aspects emphasised in this communication, and would feel grateful to them if they would take immediate steps to announce their considered policy in regard to the ownership, control and management of the industries that may be established and developed in this country for her rapid industrialisation in the future. My Committee will appreciate and feel obliged if the Government will be pleased to send an early reply to this communication indicating the steps that they propose to take for safeguarding India's national interests in her onward march of rapid industrial development in the post-war period.

# APPENDIX 51

## Decimalization of Indian Coinage

*Letter No. 2086|33|W.M., dated 16th May 1945 from Finance Department, Government of Bombay to Chamber.*

I am directed to forward a copy of the Memorandum Explanatory of the proposal to introduce a decimal system of coinage in India with a request to communicate your views on the proposal made therein, to this Department as early as possible.

### Memorandum Explanatory of the proposal to introduce a decimal system of coinage in India.

#### 1. Opportunity for changing the existing system.

The new series of the two-anna, one-anna, half-anna and pice pieces at present circulating in the country were introduced in 1942 as a war time measure in order to cope with the greatly increased demand for small coin, the short supply of nickel and tin, and the problem of hoarding. The design of the pice with the central hole has, however, not been a success and the nickel-brass alloy used for minting the other coins referred to has proved to be unpopular. Not only does the use of this alloy involve a disproportionate waste of metal in the process of manufacture but the coins minted therefrom tarnish badly in circulation, moreover, due to the universal domestic use of brass throughout India, this alloy is unrivalled for the ease with which it can be used for counterfeiting. The Government of India have, therefore, decided that as soon as conditions permit, the nickle-brass alloy should be replaced by the pre-war cupro-nickel alloy and a pice of new design should be issued. When after the end of the war, sufficient supplies of nickel become available a huge recoinage programme will consequently have necessarily to be undertaken and a unique opportunity will then be presented to undertake any other reform of the subsidiary coinage that might be considered desirable in the public interest.

#### 2. Proposal for decimalization.

It has been suggested to Government that advantage should be taken of this opportunity to introduce a decimal system of coinage, under which the Indian rupee would be divided not into 192 pies but into 100 cents as follows :—

| | | | |
|---|---|---|---|
| 1 Rupee | corresponding to the existing | Rupee. | |
| 50 Cents | „ „ „ | ½ Rupee. | |
| 25 Cents | „ „ „ | ¼ Rupee. | |
| 10 Cents, 5 „, 2 „ | cupro-nickel ('shaped' coins) | to replace the existing coins below the value of ¼ Rupee. | |
| 1 „, ½ „ | Bronze coins (possibly) | | |

This division has been suggested in the lines of the existing Ceylon coinage, in that the rupee would remain unaltered and the half Rupee and the quarter Rupee would retain their present shape, size, weight and metal content, but would be issued as 50 Cent and 25 Cent coins. The existing 2 anna, 1 anna, half anna, and pice pieces, would however, have no counterpart in the new system and their re-coinage would not be undertaken.

### 3. Advantages of the proposed system.

The present coinage system whereunder the rupee is divided into 16 annas and each anna is divided into 12 pies is by no means ideal for purposes of calculation and accounting. The basis for the suggestion now made is that modern trade and commerce demand quick and simple methods of computation and that in this respect there is nothing to compete with the decimal system, as evidenced by the fact that it has gradually displaced all other forms in most countries of the world (India, Great Britain and certain Empire countries being the most important exceptions). To give a few examples, Ceylon, China, Iraq, Palestine, Malaya, the Netherlands East Indies and Thailand all now have a decimal coinage and it is arguable that India too should fall into line with the modern practice that has found such general favour.

### 4. Difficulties in the way of the introduction of decimal coinage.

(*a*) It is, of course, realised that the introduction of a new system of coinage in India is likely to have adverse reactions in the initial stages. First and foremost, the existing form carries with it the sanctity of time and tradition and the change proposed might well be opposed by certain section of the public on grounds of

sentiment. It will be apparent, however, that it is not proposed to interfere with the rupee itself, that the ½ and ¼ Rupee coins, will remain as they are, with only a new nomenclature, and that the basis of the coinage system will therefore remain intact.

(*b*) There will be a period of some years during which both the present and new types of small coins below a quarter rupee in value will be in circulation simultaneously. This is inevitable due to the very large number of such coins that must be minted before the present series could be declared as uncurrent. The table below gives, in respect of the denominations below 4 annas in value, the proposed coinage, the existing coinage and the value in the proposed coinage of the existing coinage.

| Existing coinage. | Proposed coinage. | Value of existing coinage in proposed coinage. |
|---|---|---|
| As. 2 | 10 Cents | 12.5 Cents |
| As. 1 | 5 Cents | 6.25 Cents |
| 1 Pice | 2 Cents | 1.5625 Cents |
| 1 Pie | (1 Cent | |
| | (½ Cent | .5208 Cent |

For such time as the two series circulate side by side it is proposed that printed slips should freely be distributed setting forth the relation between the two varieties.

(*c*) The adoption of such a system would, of course have repercussions of the widest character since all rates and prices quoted on the basis of the present system would have to be adapted to the changed conditions, causing considerable initial inconvenience to the public and additional work all round in the matter of fixation of new rates and fresh issues of postage stamps, railway ticket, etc. The adaptation can, however, be effected simultaneously and *pari passu* with the process of introducing the new coinage, and the probable confusion in the transition period would to some extent be mitigated by a wide distribution of the slips of paper mentioned above setting forth the arithmetical relation between the two types if coinage.

5. **Conclusion.**

The initial difficulties involved, however, are inherent in any radical change in the coinage and must be faced if India desires

to have the advantages of a simplified and rational system of coinage. That it is possible to overcome the difficulties inherent in a change over from one system of coinage to another even in countries where the level of education is low and population generally backward is evidenced from the dates that Russia (1839 and 1897) and Japan (1871) went over to the new system, no less than by the fact that most other countries have adopted the modern forms. A similar opportunity for modernisation of the coinage of India is not likely to recur and there can be no better time to effect this alteration than in the early post-war period. But the Government of India would not desire to embark on a new scheme of this nature in anticipation of public approval and support, and therefore invite sections of the public to express themselves on the proposal. The necessity for deciding the issue now is, however, urgent since the Mints must be given adequate time to make all preparations for implementing the decision as soon as possible after the end of the war.

*Letter No.* 1364, *dated 5th June* 1945 *from Chamber to Finance Department, Government of India.*

I am directed by the Committee of this Chamber to refer to your No. F-2(76)y|44, dated the 24th April 1945, on the above subject, and in reply to send to you hereby their views on the proposals contained in the Memorandum circulated therewith.

The central suggestion is that the Indian Rupee should be divided into 100 cents (in place of the present division into 192 pies) and the existing rupee, half-rupee, quarter-rupee coins be continued. Lower denominations will however be replaced by coins of the value of 10, 5, 2 and 1 cent, with possibly half-cent coins also. It is claimed that the change is intended to facilitate calculation and conduce simplification of accounts.

My Committee have gone into the matter fully. They, however, feel that the existing system of coinage has worked satisfactorily for a considerable length of time, and no case has been made out for the necessity for change on the lines, indicated by Government in their proposal. It is significant, in this connection, to mention that the decimal system of coinage has not yet been introduced in countries like Great Britain and some of the other Empire countries.

Owing to the educational backwardness of the masses of the people here, considerable difficulties would be experienced, particularly in the transition period, when both the existing system of coinage and the proposed decimal system are expected to be simultaneously in operation. The conversion for purposes of calculation from one system to the other in the transition stage will certainly be found very difficult. My Committee, therefore, cannot agree that the proposed decimal system will facilitate calculation or simplify accounting, particularly during the period when both the systems are expected to be in operation.

In this connection, it is significant to point out that owing to war conditions a large number of coins, particularly of the lower denominations, has been minted and has been absorbed ; and it is very unlikely that the country would require any more coins to be minted for some period of time immediately after the war. In the opinion of my Committee, there will be no necessity for minting new coins for some years to come, and as such the present occasion is particularly inopportune for discussing a reform of this character.

For the foregoing considerations, my Committee are against the proposal for decimalising the Indian coinage.

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## APPENDIX 52

### Interview with Sir John Sheehy, I.C.S., and Mr. C. W. Ayres, E.P.T. Adviser to the Board.

*Memorandum of the points for discussion with Sir John Sheehy, C.S.I., I.C.S., Member, Central Board of Revenue, and Mr. C. W. Ayers, C.I.E., C.B.E., Excess Profits Tax Adviser to the Board, at the Meeting of the Committee of the Indian Merchants' Chamber, Bombay, on Wednesday, the 8th August* 1945, *at* 12 *Noon (N.S.T.):*

### I. GENERAL

**1. Effect of the present policy of taxation on Industries:**

When you were good enough to meet us in August last year, we pointed out to you, how the existing policy of taxation did not leave any appreciable reserves with industries to enable them even to make adequate provision for re-equipment, rehabilitation and

reconstruction, either now or in the post-war period. We also drew your attention to the fact that sufficient funds would not be available to the industries for bringing their assets up to modern standards. We emphasised the obvious truth that not only would Indian industries be not able to finance their programme of expansion out of their profits, as is done by industries in other countries, but they would also be not able to build up the financial strength which they badly need. You told us at that time that decision on such matters of financial policy rested primarily with the Honourable the Finance Member, but agreed, at our request, to bring our views to his notice for his sympathetic consideration. We do not know whether the Finance Member was pleased to attach any weight to our views or not, but we are constrained to remark that we cannot but deplore his categorical statement made during the course of his last Budget speech that

> "our scheme of war time taxation has throughout been so devised as not to deplete, and on the contrary to strengthen, the reserves at the disposal of industry for meeting the calls which will be made upon them in the post-war period".

Is it really so ? Industries have been paying a toll of 66-2/3% by way of the Excess Profits Tax. They have also been bearing a heavy additional burden owing to the increase of 120% in the rates of the Income Tax and the Corporation Tax which have been raised from 42 to 93 pies. It has been recognised as the first principle of sound business finance that the depreciation fund should provide for the cost of replacing the assets. It is, therefore, considered as the first charge on revenue. It is, however, well-known that the cost of replacement has gone up in a number of industries several times their original cost. This rise in the cost of replacement has become a normal feature which is expected to continue for several years. It is, therefore, a matter of regret that industries are not allowed to provide for depreciation, for the purpose of taxation, on the basis of replacement cost. Moreover, no special reserves are allowed to be set aside, before determining profits, to meet this extra-ordinary situation. It is, therefore, obvious that the depreciation fund alone will fall far short of the amount that will be needed to meet the cost of replacement. How are the industries to bridge this large gap ? If all these burdens which industries

have to bear are carefully weighed, we cannot escape the inevitable conclusion that the present policy of taxation does not leave with industries any appreciable reserves to meet even their normal obligations to replace their assets, not to say anything about meeting their requirements in the post-war period.

If the present industries have, however, to exist and develop on sound economic lines, we are sure, it will be agreed, that equitable ways and means will have to be found to enable them to bridge this large gap between the amount of money which will be required by them to replace their assets and the amount which will be available to them in their depreciation fund. Any reserves that may be left to them, apart from the depreciation fund, will not enable them to bridge this gap. New finance will be necessary for that purpose. That will mean over-capitalisation and we are sure it is not the policy of the Government to impose the burden of over-capitalisation on the industries in this country, when they are, comparatively speaking, in their early stage of development.

Moreover, the Government have now recognised the responsibility, as recently announced by them, for taking "positive steps to encourage and promote the rapid industrialisation of the country to the fullest extent possible". They have also announced in the statement issued by them that after "the ends of social justice and national budgetary interests are secured", they will so adjust the tax system in the country as would not "tend to act adversely on development" of Industries in India. We do not know why the need for relieving industries from the unusual and extraordinary strain, to which they are subjected by the existing policy of taxation, can receive consideration only after they have made their contribution for meeting the needs of the budget and towards the funds required for such activities as will promote social justice. As pointed out by us last year, industries have been contributing nearly 70% of the revenue which the Government have been raising by taxation. If the existing industries are, therefore, to be allowed to develop in their normal course and if the rapid industrialisation of India is to be promoted to the fullest extent possible, in a world where industries have reached the highest stage of development in several countries, we submit that the existing policy of taxation which puts undue burdens on their development in India requires to be radically revised. We shall be obliged if you will bring these

views to the notice of the new Finance Member and request him to give them the consideration that they merit so that the new policy of rapid industrialisation of India which the Government recently announced can be successfully implemented and the object underlying it can be fully achieved.

May we in this connection recall the assurance which you gave us on the last occasion that the Central Board of Revenue was always sympathetically inclined towards any suggestions for extending here concessions or special reliefs which had been made available under the Taxation Laws and Procedure in the U.K. ? One of such reliefs which was granted in the U.K. was the grant of initial allowances for depreciation over new buildings, plant and machinery erected after a certain date. As you yourself pointed out at the time, this relief was not much of a concession as it merely meant pushing forward depreciation. The assessee would ultimately get nothing more than hundred percent. Moreover, these allowances were not to be given for the E.P.T. It will, therefore, be realised that the relief proposed to be given by the grant of initial allowances was really very meagre and insufficient to meet the situation. These allowances could not have provided, as claimed by the Finance Member " substantial encouragement for the early re-equipment of industry ". Our regret, therefore, is greater that the Government of India could not see their way even to grant such a small relief. We, however, hope that the Government will be pleased to reconsider the matter and before they devise any effective procedure to enable industries to bridge this tremendously large gap between the replacement cost and the amount available in the Depreciation and Reserve Funds, they would at least make the beginning in that direction by the grant of even the small relief in the nature of initial allowances over depreciation to the extent of at least 10% over new buildings and at least 20% over plant and machinery at the end of the first year of their existence.

2. **When Members constituting the Appellate Authority differ, the opinion that is beneficial to the assessee should prevail :**

When two members constituting the Tribunal in India differ in their opinion in regard to an appeal which the Tribunal has been

considering, the practice is to reconstitute the Bench with the addition of a third member and the decision of the majority of the Tribunal thus re-constituted will be the decision in the appeal. This is no doubt based on the recognised practice and principle of jurisprudence that when two judges differ, the matter must be referred to a third judge. Another principle, however, seems to have been recognised in the construction of Fiscal Statutes namely that the benefit of doubt must always go to the assessee and not to the Crown. It is the recognition of this principle, which we understand is responsible for the growth of a convention in the United Kingdom whereby the judgment in an appeal is based on the opinion which is favourable to the assessee in case the Special Commissioners hearing that appeal differ in their opinion. It is, therefore, desirable to introduce such a convention in India for the benefit of the assessees in any appeal against the Crown. We shall thank you to let us know what you have to say in this connection.

**3. Should not the decisions of the Tribunal be binding on the department in subsequent assessments?**

The Central Board of Revenue have informed us in their letter of the 16th November 1943 that "the Income-tax Appellate Tribunal is not a Court of record and is not bound by its previous decisions". The decisions, however, of the Appellate Tribunal are binding both on the assessees and on the Income-tax Department. It, however, often happens that although the Tribunal may have decided in the favour of the assessee on certain definite issues, the Income-tax Department ignores that decision in subsequent assessments. This compels the assessee to prefer the appeal before the Tribunal in regard to the same issues which may have been decided in his favour in a previous appeal. It will be recognised that apart from the avoidable worry to which the assessee is thus subjected, it will also waste the precious time of the Tribunal. We, therefore, consider it necessary that the Government should instruct the Income-tax Officers that they should accept the decisions of the Tribunal as binding in regard to the same parties in favour of whom the judgment may have been given and in regard to the issues similar to those for which the judgment was given.

## II. INCOME-TAX

Section 10(2)—

### 4. Expenditure on welfare measures and contributions to Charitable Institutions.

The Income-tax Department allows the amount spent by the employer for providing amenities for his employees as an item of expenditure. In the case, however, of contributions or grants made to institutions such as hospitals, schools, etc. the amounts spent by the employer will be allowed as items of expenditure only in cases where such institutions "render service to and directly benefit the employees." There may be institutions which work for the common benefit of a certain class of employees. For instance, a Training Ship may render service to the personnel comprising of executive officers and engineers in the Merchant Shipping service. A Home for seamen may look after the comfort and welfare of seamen as a class. It would be difficult to say in regard to any particular contributions made to such institutions that they directly benefit the employees of the company making such contributions. The employees of such a company may be sharing the benefit of an institution of that character along with other employees. We understand that the contributions made by shipping companies to the Indian Sailors' Home are not allowed as items of expenditure. Seamen employed by shipping companies making such contributions often take advantage of such a Home along with seamen of other companies. Scholarships and contributions made to Training Ships are also disallowed. The cadets, however, who receive training in such a ship later on find employment on the ships of the company making such contributions. Labour Centres are organised for the welfare of workers in mills and factories. Contributions made by mills to such centres are, however, disallowed under the Income-tax Act. The modern tendency, however, is to increase the field of responsibilities and obligations which the employers have to discharge towards their employees and workers. International Conventions impose also obligations of a general character. It is in pursuance of this increasing sphere of responsibility of the employers towards their employees that they have often to make contributions towards the maintenance and development of institutions although such contributions may not directly benefit their own employees. The point to be remembered is that

the employers are thereby discharging their general obligations. It is, therefore, essential that the expression " welfare of employees " should not be interpreted in a narrow way ; but if contributions are made whereby the class of employees employed by the employer is generally benefited or if the contributions are made in the discharge of general obligations of employers towards their wokers, such contributions should be allowed as items of expenditure. It is not always possible for a company to put up institutions for the benefit of its own employees. If, however, the company contributes towards an institution where the class of employees it employs receives the benefit, it is obvious that it would thereby be rendering service to its own employees. In this connection, we would like to bring to your notice the fact that annual grants made to such institutions as Nursing Associations, Poor Boxes, Hospitals, Y.M.C.A., etc. in the U.K. are allowed as items of expenditure. Such contributions, however, are not allowed in this country. It cannot be argued that the institutions referred to above benefit directly and exclusively the employees of the employers making contributions to them. These institutions are able to render service in general as they receive contributions from all sources. We have, therefore, to request you to recognise the standard of responsibility which the employers have to discharge and the practical considerations which make it essential for them to make donations or contributions towards several institutions which may not be giving benefit directly to their own employees, but may promote the welfare of the class of employees with whom they may have to deal, and evolve such a formula for the direction of your Department as will enable them to allow all such contributions as items of expenditure.

**5. Section 10(7)—Taxation of additional reserves maintained by General Insurance Companies.**

We are informed that despite the undertaking of the Government to allow fair reserves to the insurance companies, transfer to additional reserves is not treated as an allowable item in the assessment of general insurance companies. The commercial community is anxious that the Indian insurance companies should be given an opportunity to build up adequate reserves to offer full security to the existing insured and to create a base to support the expanding volume of general insurance business that will be placed on their

books in consequence of the policy of an expansionist economy in this country. We are constrained to feel that the authorities do not view this problem from the broad angle of developing a strong indigenous insurance market, vis-a-vis non-Indian insurance companies who have a very strong reserve position and who have a substantial participation in the Indian insurance business. We beg to point out that the underwriting surplus which is taken as the profit of the account for the purpose of income-tax is not the true underwriting profit. Of the underwriting surplus determined in any individual year only a part is really earned, the balance is not earned and belongs to the underwriting reserves of the company in the form of "catastrophe and conflagration reserves", even though, in the day to day terminology these are spoken as "additional reserves." We beg to invite your attention to the special character of these reserves. In our view the transfer to additional reserves is dictated by necessity and not merely by prudence. We submit that any provision made in consequence of necessity should be treated as allowable under the Income-tax Act. In this connection, we beg to invite your attention to the fact that at the time of the discussion of the amended Act, an amendment, seeking the allowance of adequate reserves, was moved, but the Government opposed it on the ground that the proposed proviso was unnecessary in view of the fact that in arriving at the profits of a non-life insurance company fair reserves must be allowed and that without the proposed proviso being inserted it was competent to the Income-tax Officer to allow a fair and proper reserve. It was on the specific assurance that the Government would at least incorporate what was to be allowed by way of instructions to the Assessing Officer that the amendment was withdrawn. In consequence of this undertaking, the Government have advised in the instructions to the income-tax authorities that a fair and proper reserve should be allowed to cover both unexpired risks and exceptional losses that may arise due to widespread calamities. However, our information is that in practice only reserves for unexpired risks are allowed. We beg to enquire whether any insurance company has been allowed any reserves beyond reserves for unexpired risks ?

We would, therefore, earnestly request you that in addition to reserves for unexpired risks, a stipulated percentage of the year's premium should be allowed as additional reserves till the total

additional reserves amount to 100%. Such a course is imperative if a strong indigenous insurance market is to be built up in this country.

**6. Section 18(3A).—How is interest paid by a Branch to its Head Office dealt with for the purpose of taxation ?**

We would like to know whether the Income-tax authorities allow as an item of expenditure the amount of interest paid by a branch of a foreign bank working in British India to its Head Office. If that is so, we shall thank you if you will kindly let us know whether income-tax on the amount of interest thus paid to the Head Office is deducted at source by the Branch and paid to the Income-tax Department. If not, what the real position in this matter is ?

**7. Section 74—Carry Forward of Losses.**

The existing practice in India is, as you know, that losses are allowed to be carried forward for a period of six years. A similar limit of six years is extended, as indicated below, under the Finance Bill of 1945 in the United Kingdom. Where the period of six years includes any of the years 1939/40 to 1945/46, both inclusive, the time limit of six years for carrying forward the losses can be extended by the number of years following the year in which the loss is incurred that fall within the period from 1939/40 to 1945/46. For instance, if loss is incurred in a business during the year which ended on the 31st March, 1944, it can be carried forward and can be normally set aside against the profits of the next six years namely, 1944/45 to 1949/50, both inclusive. In case, however, the entire loss is not set against the profits for the period ending on the 31st March 1950, it can be carried forward for a further period of two years of assessment, namely, upto the end of 31st March 1952, under the new proposal in the Finance Bill of 1945 in the United Kingdom. It will be carried forward for the additional period of two years because the years 1944/45 and 1945]46 fall within the prescribed period mentioned above. We submit that the Government of India may be pleased to extend the period for the carry-forward of the losses in India in the same manner and under the same circumstances under which it is allowed to be carried forward in the United Kingdom as mentioned above.

8. Section 58-A.—Equity requires that same concessions should be given to Provident Funds recognised under the Indian Income-tax Act as those which are given to Provident Funds governed by the Provident Fund Act, 1925.

We give below in parallel columns the nature and extent of the relief given to the two sets of Provident Funds for the purpose of Income-tax Act :

| Provident Funds governed by Provident Fund Act, 1925. | Private Provident Funds recognised under the Indian Income-Tax Act. |
|---|---|
| 1. The employers' contribution and the interest accumulations to the credit of the Provident Fund are not taken into account in computing the total income of the employee for purposes of Income-tax liability. | Under Section 58E of the Indian Income-tax Act, both these items are taken into account in computing the total income of the employee. |
| **2. Exemptions allowed.** | **Exemptions allowed :** |
| (*a*) Insurance premia and employee's contribution to the extent of 1/6th of **total income*** or Rs. 6,000 whichever is less. [ Sec. 15(1) & (3) ] | (*a*) Insurance premia and employee's and employer's contributions to the extent of 1/6th of **total salary** or Rs. 6,000 whichever is less. [Sec. 58F(1) ]. |
| * i.e. including private income, allowances, etc. | |
| (Thus in an 8 1/3% Provident Fund 1/12th of the total income is available for relief on account of Insurance premia.) | [Thus in an 8 1/3% Provident Fund there will be no margin for relief on account of insurance premia unless the employee has got private income—S. 15 (1) & (3) ]. |
| (*b*) Whole of interest is exempted. | (*b*) Interest upto 1/3rd of the annual **salary** provided it is not allowed at a rate exceeding 6% per annum. [S. 58F(2) ]. |

| | |
|---|---|
| (*c*) Repayment of Provident fund at the time of retirement or resignation—exempted unconditionally. | (*c*) Exempted subject to conditions set out in S. 58G. |
| (4th proviso to S. 7). | (4th proviso to S. 7). |

It will be realised from the facts given above that those who are members of the Provident Fund under the Provident Fund Act, 1925, will be far better off than those who are members of the Provident Funds recognised under the Indian Income-tax Act. For instance, a member of the Provident Fund recognised under the Indian Income-tax Act, drawing a salary of Rs. 2,000/- per month will have to pay annually Rs. 4,239-10-0 as income-tax as against the sum of Rs. 3,351-10-0 payable by one who may be a member of the Provident Fund under the Provident Fund Act, 1925. The higher the salary, the greater the disadvantage to the member of the Provident Fund recognised under the Indian Income-tax Act. For instance, if a member draws a salary of Rs. 4,000 per month, he will have to pay Rs. 17,291-9-0 by way of income-tax and super-tax as against the sum of Rs. 14,257-14-0 if he were a member of the other Fund. In other words, he sustains an annual loss of over Rs. 3,000. It will be recognised that this is really a hardship to the employees of the private employers, and this hardship is intensified when the rates of income-tax and super-tax are constantly on the increase. It will be appreciated that both the types of the employees, whether they work under private employers or under Government or semi-Government bodies, generally render similar service and earn their pay by identical exertion. They are, therefore, entitled to expect that uniform treatment will be accorded to them in the assessment of their respective tax liability. The fundamental object of a Provident Fund is to encourage the employee, under a system of compulsory saving, to accumulate a reasonable fund for the benefit of himself and his family, when he retires from service. It is for the prospective welfare of the employee and his family that the employer makes his contribution to that Fund. It is, threfore, quite essential that all employees should receive uniform treatment in the matter of relief which the Fund receives for the purpose of income-tax. When this matter was referred to the Central Board by us in 1942, we were told that

the existing position could not be changed without amending the relevant provisions of the Income-tax Act. The letter from the Board added that the point would be further examined when a Bill to further amend the Income-tax Act was under contemplation. We would like to state that occasions for amending the Act, since the receipt of that letter, did arise, but we do not know why no steps were taken to remove this just grievance. We would, therefore, urge upon you the necessity to take such early steps for amending the Act as would place the employees of private companies and organisations on the same basis as the employees of the Government and semi-Government bodies in the matter of the relief which may be given to them for the purpose of income-tax.

**9. Section 60.—Exemption of pensions drawn in the Colonies or U.K.**

Pension payable to officers of the Government of India coming under certain categories is exempt, under Section 272 of the Government of India Act, 1935, provided those officers are residing permanently outside India, from all taxation imposed by or under any existing Indian Law or any Law of the Federal or of a Provincial Legislature. Pension paid to the same classes of officers as mentioned in Section 272 is not exempt from such taxation provided they are residing in India. Apart from the policy of discrimination involved in this case, the Government of India have been losing a large revenue which they would have otherwise got if the tax was allowed to be deducted on the amount of such pension paid out of Indian revenue to such officers residing permanently outside India. We would like to know whether the Government of India propose to make any change in the existing policy in this connection. May we in this connection also bring to your notice the view of the Income-tax Enquiry Committee that pensions earned in British India should pay British Indian tax and that the liability to pay such tax should not depend upon the accident of the place at which such pension may be made payable. We shall, therefore, thank you to let us know whether pension paid by Government to their officers who do not come within the categories mentioned in Section 272 and by commercial concerns in India to their employees residing outside India is subject to Income-tax or not.

**10. Profit on sales of Gold.**

The Legislative Assembly was informed by the Finance Member in 1944 that sales of gold were made by the Reserve Bank of India on account of His Majesty's Government and the United States of America under arrangements made between the Reserve Bank of India and the Bank of England. These sales were made by the Reserve Bank as the Agent of these two Governments. On the 8th February 1944, the Finance Member informed the Assembly that he was not in a position to state the amount of profit on those sales. On the 8th November 1944, however, he told that Legislature that

> "there is no question of liability to income-tax as the sales of gold are not of the nature of trade or business transactions."

The reason given by him was that these sales were made by the Governments concerned to provide themselves with rupees which they needed for meeting the war expenditure incurred for them in this country. We would like to know whether the motive with which the sales of commodities are made determines the liability of the party for the payment of income-tax under the laws of this country. It was also urged by the Finance Member that even if the transactions were construed as transactions of the nature of trade, the Government of the United States of America would not be liable to income-tax. We shall be obliged if you will clarify the position in this connection, because the U.K.C.C. although it is a Corporation registered in the United Kingdom and fully owned by His Majesty's Government, is subjected—as it ought to be—to income-tax in this country in regard to its transactions and operations in this land. What we would like to know exactly from you is the nature and extent of the liability of the foreign Governments in regard to their operations in this country, whether carried on by themselves or by Agents appointed by them.

## III. EXCESS PROFITS TAX

**11. Section 6.—Necessity to increase the Minimum of the Standard Profit.**

The minimum of the Standard Profit has been fixed at Rs. 36,000. Although it is now six years since that limit was fixed,

no increase has been made in it. In view of the tremendous rise in the cost of machinery, plant, buildings, etc. and the existence of similar circumstances in the national and the international world, we are of opinion that a rise in the minimum amount of the Standard Profit is both essential and justified. We have to request the Government to raise the minimum Standard Profit from Rs. 36,000 to at least Rs. 50,000 from the current financial year.

### 12. Section 7.—Carry-forward of Deficiency of Profits.

As the Law stands in India today, if the business of an individual or a firm is transferred to a new public or private limited company, such transfer will be construed as a new business in every respect. The deficiency sustained by the individual or by the firm from whom the business war transferred will not be allowed to be set off against the profits made by the limited company. So far as the United Kingdom is concerned, the taking over of a business from an individual or a firm by a limited company is construed as the continuation of the original business. The deficiency of the parties from whom the business has been taken over is, therefore, allowed to be set off against the profits made by the limited company. In other words, the deficiency sustained by the individual or firm will be allowed to be set off against the profits of the Company before they are determined for the purpose of Excess Profits Tax. We, therefore, submit that whenever a limited company takes over the business of an individual or a firm in India, the deficiency of the individual or the firm should be allowed to be carried forward and should be allowed to be set off against the profits of the limited company to the extent of the shares held by the individual or the firm in the new limited company before the profits of the new company are determined for the purpose of E. P. T. The same relief should be granted to the limited company and to the same extent in case it has set off its deficiency against the profits made by the individual or the firm before the business was taken over by it.

### 13. Schedule I, Rule 12.—Disallowance of Expenditure.

Section F 10(2)(x) of the Income-tax Act provides that payments made to employees by way of bonus or commission for services rendered shall be allowed as expenditure for purposes of com-

puting profits or gains of a business, provided such payments are not excessive and satisfy the conditions attached to the proviso to that Section. In a case where any item of expenditure of this character is disallowed for purposes of the income-tax assessment, such disallowance operates for E.P.T. also. Due to conditions created by the war, employers have found it necessary to offer increased inducements to their employees by higher rates of remuneration in one form or the other. It has been pointed out to us that whenever any expenditure of this nature is disallowed for purposes of Income-tax, the assessing officer puts an additional note in the E.P.T. assessment order that these amounts stand to be excluded under Rule 12 of Schedule I of the E.P.T. Act also. The intention of this note obviously is that in the event of the higher authorities holding that the amount of expenditure under dispute was covered by Section 10(2)(x), the E.P.T. Officer would be in a position to exclude the amount under Rule 12 of Schedule I of the E.P.T. Act. We feel that the practice of adding such a note is unjustified. The Excess Profits Tax Officer should decide in advance, whenever he disallows any expenditure of this character, whether the disallowance is made under Section 10(2)(x) of the Income-tax Act based on similar disallowance for purposes of income-tax assessment or whether he is resorting to the powers vested in him under Rule 12 of Schedule I. It is not fair to apply the alternative basis for disallowance under the E.P.T. Act if the original basis of allowance under the Income-tax Act is subsequently found to be not proper and correct. We request that clear instructions may be issued in regard to this matter.

14. **Schedule II.—Computation of average capital.**

We understand, from some of our members, that the value of assets which may not be yielding a commercial return, is sometimes not included in the computation of average capital for the purpose of Excess Profits Tax. We do not think Rule 7 of the Second Schedule can authorise the E.P.T. Officer to do so. That Rule can only come into operation when an application is made by an assessee for the exclusion of the value of assets which were inherently unproductive during the Standard Period. We do not know whether there is any provision in the E.P.T. Act or any Rule made thereunder which authorises the E.P.T. Officer to exclude the value of an asset which may be inherently unproductive during the Charge-

able Accounting Period. Moreover, the inherently unproductive nature of an asset cannot be confounded with non-user of an asset. It should therefore follow that if any asset is not used during the Chargeable Accounting Period, the value of that asset cannot be excluded from the computation of capital for the Chargeable Accounting Period. It is, therefore, necessary that clear instructions should be issued to the Department that assets which are not in actual use or which are only in partial use should not be excluded from the computation of average capital. We should like, in this connection to refer to the fact that the E.P.T. Act provides for inclusion of capital that is **employed** in the business and not capital that is **used** in the business. A mere non-user of an asset cannot, therefore, be sufficient to justify the elimination of its value from computation of capital. It will be interesting to note, in this connection, that in the U.K., it has been held that the destroyed business premises should be considered as assets employed in the business of the assessee and that the value of such premises should be included in the computation of average capital. Lord Justice Pareq in delivering his judgment in the Court of Appeal in May 1944 in connection with a case where he had to decide whether a theatre that had been destroyed by enemy action was still capital employed in business for purposes of E.P.T. Act or not, held :

> "It is true that its value as a money-making instrument is greatly reduced and has, indeed, for the time being disappeared ; but there is nothing in the Act of 1939 to suggest that capital should be gainfully or productively employed in the business during the Chargeable Accounting Period".

In view of this decision and having regard to the provisions of the Act, we shall be obliged if we are enlightened as to the circumstances under which the value of assets cannot be included for determining the average capital employed in business for purposes of Excess Profits Tax.

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## IV. ADMINISTRATIVE

### 15. Double Taxation of Dividend Income.

It is common knowledge that income in the shape of dividends from joint stock enterprises bears tax at source in the hands of the

company paying the same. On occasions when a share-holder is not able to produce the dividend warrant counter-parts in respect of his dividend income, the amount of such income is again subjected to taxation in his hands notwithstanding the fact that the company concerned had already paid the tax at the first stage. Under the administrative practice now obtaining, an assessee, who is not able to produce counter-parts, is required to produce certificates in a particular form signed by a member of a Stock Exchange and the seller and himself, and on the strength of such a certificate the Department waives collection of tax for a second time on that part of the income represented by the dividends. Some Stock Exchange members, however, are not able to obtain certificates in the form in which the Department wants them; although they do certify the fact that the shares in question were purchased cum-dividend and that the dividend related to a period subsequent to the purchase. We submit that the Department should not insist on full compliance with all the details of the technical form of the certificate. If an assessee is in a position to adduce *prima facie* evidence that the amounts included as dividend in his return of income were received as dividends on shares of particular companies and that the dividend pertained to a period when the shares were his property, there would be no justification for insisting upon other formalities or calling for other evidence. We feel that this is a matter in which suitable instructions may be issued, so that assessees may not be subjected to the inequity of being obliged to pay tax over again on their dividend income which had already borne tax at source.

16. **Adjustment of payments due on one account against refunds accruing to assessees on another account.**

Our attention has been drawn to the practical difficulty which the assessees experience by the Department not agreeing to adjust the payments due from the assessees on one account against amounts due to them by way of refunds on another account. Although an assessee may be entitled to refund in respect of excess of amounts paid at source for purposes of Income-tax, the Department insists on the full payment of the advance E.P.T., without allowing any set off against such refund. Whatever may be the technical position under the relevant provisions of the two Acts, after all it is a matter of adjustment of accounts as between the assessee on the one hand

and the taxing authority on the other. The Income-tax assessment may not have been completed, and the assessee naturally will have to wait for some time after the completion of the assessment for getting his refund claim settled. In the meanwhile he is obliged to make full advance payment due on account of E.P.T., notwithstanding the fact that a large amount by way of refund is due to him. This position is unsatisfactory, as the liquid resources of the assessee are needlessly locked up. In such cases the Department should approximately work out the amount of refund of income-tax due in the matter, deduct therefrom the approximate amount of Corporation Tax payable on the estimated net income for income-tax purposes and such net refund amount should be taken into consideration while demanding the advance payment of E.P.T.; i.e. the E.P.T. to the extent of the estimated amount of net refund should be kept in abeyance and it should not be collected. It should be set-off against the net refund of tax for income-tax purposes when such income-tax assessment is completed and the amount of net refund of income-tax is ascertained. It has been pointed out to my Committee that in some cases the amount involved in this manner is fairly substantial and if any administrative adjustment, as suggested above, is not made, the present position would entail avoidable hardship on the parties concerned. We, therefore, request you to kindly look into this matter and take such steps as would remove this grievance.

## 17. Supply of copies of Assessment Orders.

We are informed that it is the Companies Circle only that sends copies of assessment orders pertaining to income-tax assessment along with the demand notices for the same sent to the assessees. We have, therefore, to request you to issue instructions to all other Circles to send copies of assessment orders along with demand notices or intimations about the determination of income in case of the assessment of every business as well as in case of the personal assessment of an individual whose total income is Rs. 15,000 or more.

As regards the practice obtaining in the Excess Profits Tax Circles, we understand that as a general rule every assessee applies for a copy of the assessment order. We would, therefore, request you to issue instructions to the Excess Profits Tax Circles to furnish every assessee with a copy of the assessment order along with

demand notice or an intimation showing the determination of income sent to him. It will be realised that it is quite essential to do so in order to enable the assessee to understand how he has been taxed and in case he has any grievances against the Excess Profits Tax assessment, he may be able to file his appeal in time.

It sometimes happens that an assessee is assessed to excess profits tax before his assessment for the income-tax is completed and is furnished with a copy of the assessment order in that connection. What the Excess Profits Tax Officer usually does in respect of excess profits tax cases is that in the assessment order for excess profits tax he states the resulting business income only without giving details. Where both the assessments are completed at the same time, the Excess Profits Tax order refers to the Income-tax assessment, but a copy of the income-tax assessment order is not sent along with the excess profits tax order. It is absolutely essential that the assessment order showing how the business income has been arrived at for the purpose of income-tax must accompany the assessment order for the excess profits tax. We shall thank you if you will issue immediate instructions to the appropriate authorities for supplying th assessees with copies of the assessment orders in all these cases without application as practically in all cases copy of orders for income-tax assessments have to be kept ready for being supplied on application. There can be no difficulty in doing so because in all cases the Income-tax Department has to keep copy of orders for the income-tax assessment ready, because they have to supply the same to the assessees on application for the same being presented to them.

**18. Publication of Extra Statutory Concessions and Circulars issued by the Board.**

We drew the attention of the Board to the action taken by the Board of Inland Revenue in the U. K. in issuing a White Paper setting out the various heads of concessions which had been granted administratively by the authorities there in relation to Income-tax, Excess Profits Tax and National Defence Contribution, together with a brief indication of the nature and circumstances in which the relief contemplated by the concessions was available. We had urged that the Authorities should issue a similar publication containing the administrative concessions granted here. Unfortunately,

the Board had not seen their way to accept this suggestion. The same is the case in regard to the instructions issued by the Board from time to time for the guidance of Income-tax Officers in the form of Circulars explaining points relating to application of some of the provisions of the Law. After all, the assessees are equally interested in the information contained in such Circulars, being in the nature of directives and guidance for regulating assessment proceedings. We have often received complaints that the reliefs, which were intended to be given as a result of the directions contained in certain Circulars, were not claimed by the particular assessees because they had no knowledge of the existence of such instructions. Although we had presented this matter before, we have again thought it fit to reiterate the demand, as we feel very strongly that the absence of such a record is really proving to be a source of considerable disadvantage to the public at large.

Incidentally, we would like to mention that it is high time that the *Income-tax Manual* was revised and a fresh edition published. The eighth edition was published in 1940; since then there have been numerous changes. In fact, the periodical revision of the Manual was one of the administrative reforms recommended by the Income-tax Enquiry Committee, and when this point was raised in the Central Legislature in 1944, the Finance Member agreed that instructions would be given to do the needful in the matter. We, therefore, suggest that the work should now be taken in hand and the new edition of the Manual, when published, should include an additional feature, viz.: a record of the Extra statutory concessions and the instructions issued in the form of Circulars by the Board.

**19. Availability of earned income relief for purposes of salary income.**

We have to draw your attention to the Ordinance issued on 27th April 1945 by the Central Government granting income-tax relief in respect of earned income. This relief comes into operation from the fiscal year 1945-46. The Finance Bill, however, lays down that in making any assessment for the year ended 31st March 1946, the allowance of 1|10th on account of earned income relief was not to apply to any income chargeable under the head "Salaries". Thus out of those who are entitled to the 10 per cent earned in-

come relief granted under the Ordinance, the only assessees who will be deprived of this concession for the year 1945-46 will be employees who receive their remunerations in the form of salaries and wages.

The scheme for exemption of a certain portion of earned income has been introduced for the first time particularly to give certain concession to assessees who derive their income from personal exertion. It is, therefore, desirable that Government should allow the benefit to persons who are assessed under the head "Salaries" also by further extending the concession of earned income relief to them for the fiscal year 1945-46, i.e. in respect of salaries earned in the year 1944-45.

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## APPENDIX 53.

### Section 60 of the Income-tax Act—Exemption of Co-operative Societies.

*Letter No.* 1107, *dated 28th April* 1945, *from Chamber to Central Board of Revenue.*

I am directed by my Committee to address the Central Board of Revenue in regard to the following points arising from the exemptions granted under Section 60 of the Indian Income-tax Act, under Finance Department Notification No. 878-F, dated 21st March 1922.

1. **Burma Co-operative Societies.**—Under Part II of the Notification the profits of any co-operative society registered under the Burma Co-operative Societies Act, 1929, while it is to be included in the total income of a year, will be exempted from both Income-tax and super tax. No such exemption, however, is available in respect of co-operative societies registered in Indian States. If income from a co-operative society in Indian States is for purposes of the exemption treated as foreign income, after the separation of Burma the same ground holds good in regard to profits of co-operative societies registered in Burma. There is no justification for, on the one hand, allowing this relief in respect of income from co-operative societies in Burma and, on the other hand, withholding the same in respect of income from co-operative societies in Indian States. My Committee are aware that Section 60, as it stands at present, does not permit of any enlargement in the scope of exist-

ing exemptions. The only way in which, therefore, the above anomaly can be rectified is to discontinue the exemption in favour of income from co-operative societies registered in Burma, as, after the separation of that country from India, there is no justification for this differential basis of treatment.

2. **Profits of Co-operative Life Insurance Society.**—Under the same Section, the profits of a Co-operative Society registered under the relevant Central and Provincial Acts, excluding income from investments, are exempt from tax. The attention of my Committee has been drawn to the fact that the benefit of this exemption is not being extended to co-operative societies carrying on the business of life insurance. It would appear that the Department is holding that, as there is a separate procedure and basis prescribed for the assessment of life insurance companies under Section 10(7) of the Act and the rules made thereunder, co-operative societies doing life insurance business would be governed by those provisions and would not be entitled to exemption under Section 60. My Committee are unable to agree to the above point of view. When there is a special treatment and relief prescribed for co-operative societies, it stands to reason that the same should hold good for co-operative societies doing life insurance business also, in the absence of any specific reservations to the contrary. Co-operative societies doing life business are as much entitled to the encouragement and assistance contemplated in the Notification giving the exemptions, and it is, therefore, requested that necessary instructions may be issued to the Department for extending to them the relief in question.

3. **Property occupied by Co-operative Societies.**—It has been pointed out to my Committee that recently the Income-Tax Department subjected co-operative societies to tax in respect of property occupied by them for their business on the ground that exemption under Section 9 would only apply when the property was occupied by a business "assessable to tax". Co-operative societies being exempt from taxation under Section 60, it is argued that they are not business "assessable to tax". Such a contention is not in keeping with the spirit of the exemption, and my Committee submit that the relief should be extended to cover income from property occupied by a Co-operative Society for its business requirements.

*Letter No.* 59(4) *I.T.*|45, *dated 2nd July* 1945, *from Central Board of Revenue to Chamber.*

I am directed to reply to your letter No. 1107 dated 28th April 1945 on the subject of the exemption applicable to Co-operative Societies.

(1) **Burma Co-operative Societies.**—The exemption in respect of Burma Co-operative Societies which was made pre-separation has remained ineffective after separation. The exemption applies only to business profit and this in the case of a Burma Society does not arise in British India. The question of cancellation of the exemption will be considered.

(2) **Profits of Co-operative Life Insurance Societies.**—The exemption is applicable to a Co-operative Society carrying on a life insurance business, the profits of which are computable in accordance with the Rules contained in the Schedule to the Act. But inasmuch as the income of a life insurance business is largely, if not exclusively, from investments in securities or property—to which the exemption does not extend—the practical effect of the exemption in the generality of cases is negligible.

(3) **Property occupied by Co-operative Societies.**—Property owned and occupied by a Co-operative Society for the purpose of its business is not chargeable under Section 9 of the Act.

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## APPENDIX 54.

### Section 10(7) of I. T. A. and Rules thereunder—Life Assurance Business.

*Letter No.* 1098, *dated 28th April* 1945, *from Chamber to Central Board of Revenue.*

The attention of my Committee has been drawn to an obvious anomaly in the provisions of Section 10(7) of the Indian Income-tax Act and the Rules thereunder, in regard to assessment to tax of profits and gains of Life Assurance business. Under the rules two alternative basis are prescribed for determining profits and gains of life assurance business, viz. : (*a*) gross external earnings of the preceding year less the management expenses of that year,

what is known as Interest-less-expenses basis ; or (*b*) half the actuarial surplus as determined in the manner laid down in the Rules in question. The Treasury has also the choice of selecting the basis more advantageous to the Revenue.

Under Rule 8 of the Rules in question, it is further provided that the profits and gains of the British Indian business of a foreign insurance company in the absence of a more reliable data may be deemed to be the proportion of the total world income of the company corresponding to the proportion which its British Indian premium income bears to its total premium income. It would appear that in a recent High Court decision it was held that assessment of a foreign insurance company having branches in British India under Rule 8 of the Schedule could only be made on the above proportionate basis, and that even if the alternative basis, viz. the interest-less-expenses basis, was more advantageous to the Treasury, the same could not be applied in the case of such a company. If the above position is allowed to stand, the same would result in foreign insurance companies being placed, on some occasions, in a position of advantage over the Indian companies. My Committee are sure that the framers of the Act did not intend any such advantage, and it is, therefore, necessary to rectify this lacunae as made apparent by the High Court decision referred to.

It is requested that the Board will be pleased to take early steps in the matter.

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## APPENDIX 55

### Extra Statutory Concessions under the Indian Income-tax

*Letter No.* 1097, *dated 28th April* 1945, *from Chamber to Central Board of Revenue.*

It has been pointed out to my Committee that in the United Kingdom the Inland Board of Revenue have issued a White Paper, setting out the various heads of concessions granted administratively by the authorities there in relation to Income-tax, Excess Profits Tax and the National Defence Contributions, together with a brief indication of the nature and circumstances in which the relief contemplated by the concessions is available. My Committee

would strongly urge that the Central Board of Revenue here should also issue a similar publication, setting forth concessions given by administrative instructions and orders, so that the assessees may have access to the same and be kept duly informed of their rights thereunder. There should be no serious difficulties in arranging for such a record. It is very necessary, as normally in many cases the assessees are not expected to have any idea of the exact nature of these concessions.

Similarly, it would also be a great advantage if the instructions issued by the Board from time to time for the guidance of Income-tax Officers in the form of circulars explaining points relating to the application of some of the provisions of the Act are also published. After all the assessees are equally interested in the information contained in such circulars, as they are in the nature of directives and guidance for regulating assessment proceedings.

It is hoped that the Board will be pleased to accept the above suggestions and to make early arrangements for bringing out a publication containing the extra-statutory concessions and the Departmental circulars and instructions.

*Letter No. C. No. 30 (7), dated 19th May 1945, from Central Board of Revenue to Chamber.*

In reply to your letter No. 1097, dated the 28th April 1945, I am directed to say that the Board has considered the suggestions made in your letter and does not consider that anything beyond what is already given in Part III of the Income-tax Manual is likely to be of any great use to the public generally. Circulars of general interest to the mercantile community are—as it is—being sent to Chambers of Commerce.

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## APPENDIX 56

### Delay in Payment of Double Taxation Relief

*Letter No. 1104, dated 28th April 1945, from Chamber to Central Board of Revenue.*

The attention of my Committee has been drawn to the inconvenience and difficulties caused to assessees by the inordinate delay in passing double tax relief claims. Although large amounts were

due to them by way of such refunds, the assessees were in certain cases being called upon to pay the amount of tax due for subsequent years with the result that a large portion of their liquid resources are locked up in the above manner. In order to avoid hardships resulting from such a procedure, my Committee suggest that firstly, claims in respect of refund resulting from double tax relief should be expedited, and secondly, that where the assessee is able to produce evidence of tax paid to one taxing authority, due consideration should be given in allowing him sufficient time or in permitting necessary adjustments in respect of tax from the same assessee leviable in this country. In fact, in the Instructions appended to the Income Tax Manual a general direction has been given that in cases where assessees are entitled to relief the Department should agree to the postponement of collection of part of the tax so as to take into account the practical convenience of the assessee.

It is requested that the Board will be pleased to examine this point and issue necessary instructions to the Departmental Officers.

*Letter No. C. No. 25(6)-I.T., dated 21st May 1945 from Central Board of Revenue to Chamber.*

In reply to your letter No. 1104 dated the 28th April 1945, I am directed to say that the Board is not aware that there is any undue delay in the payment of claims for double income tax relief or that the instructions in the Income-tax Manual are not being observed. If any instances of undue delay or disregard of the instructions are brought to the notice of the Board, the cases will be investigated and the question of issuing further instructions considered.

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## APPENDIX 57

### Section 4A(c) of the Income-tax Act—Definition of Residence in British India

*Letter No. 1103, dated 28th April 1945, from Chamber to Central Board of Revenue.*

Under Section 4A(c) of the Indian Income-tax Act, it is provided that a company is deemed to be resident in British India in

any year (*a*) if the control and management of its affairs is situated wholly in British India in that year, or (*b*) if its income arising in British India in that year exceeds its income arising without British India in the year. The attention of my Committee has been drawn to certain circumstances under which a foreign company operating in British India would in a year in which it has made loss abroad and profits in British India would come to be treated as a resident company by virtue of the 51 per cent income test and would, at the same time, in any year in which it has made sufficient profits abroad, would come to be treated as a non-resident under the test of central control and management. In the first year because the company made loss in its foreign business and profits in its Indian operations its income arising within British India will naturally exceed that arising outside, with the result that it would be deemed to be a resident for purposes of tax. In the result the loss which it has incurred in that year in respect of its foreign business will be allowed to be carried forward for six years and set off against British Indian profits. Subsequently, when it makes profits in its foreign business, the same company would come to be treated as non-resident, because the central control and management of its affairs is situated outside British India and as such would be assessed on that basis. Thus a foreign company will be entitled to the benefit of carrying forward of losses, even though in the year in which there are foreign profits the company would not be subjected to Indian taxation on such profits. The above position is, indeed, anomalous and requires to be rectified ; and it is, therefore, necessary to provide that the benefit of the provisions relating to carry-forward of losses should accrue to such assessees only if they retain the same status throughout in all the years of their assessment.

It is requested that the Central Board of Revenue will be pleased to examine the point and take early steps to remove this anomaly.

*Letter No. Dis. No. 4(7), dated 13th November 1945, from Central Board of Revenue to Chamber.*

In reply to your letter No. 1103 dated 28th April 1945 regarding the alleged anomaly in the definition of residence of a company in Section 4A(c) of the Income-tax Act read with Section 24

of that Act, I am directed to say that so far only one case of this kind has come to the Board's notice. The Board do not therefore consider that any amendment of the law as suggested by your Chamber would be justified.

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## APPENDIX 58

### Exemption under Section 60 to Co-operative Societies doing Life Insurance Business from Income-tax on Investment

*Letter No. 34, dated 4th January 1946, from Chamber to Central Board of Revenue.*

I am directed by the Committee of the Indian Merchants' Chamber to address the Central Board of Revenue in connection with the existing position regarding the operation of the exemption in favour of Co-operative Societies so far as such Societies doing Life Insurance Business are concerned. Under Section 60 of the Indian Income-tax Act, the Government of India have, by notification, exempted the profits of Co-operative Societies from payment of Income-tax. On that basis, the profits of Co-operative Societies carrying on Life Insurance Business, although such profits are computed in accordance with the Rules laid down in the schedule to the said Act, are exempt from income-tax and super-tax. For the purpose of the exemption under Section 60 in favour of Co-operative Societies generally, however, income from investments in Securities or property is excluded. In the case of a Co-operative Society doing Life Insurance business, a substantial proportion of the income is mainly derived from such investments, with the result that in actual practice, the benefit accruing to the Society from the exemption is almost negligible.

Whatever might be the justification for excluding income from investments and from property from the scope of the exemption, my Committee wish to point out that in the case of a Co-operative Society doing Life Insurance Business, the effect of the exclusion involves a real and serious hardship. All Co-operative Societies carrying on Life Insurance Business are required to be registered under the Insurance Act, 1938, apart from the Central or Provincial Co-operative Acts, as the case may be. In terms of Section 95(1)(b) of the Insurance Act, all Co-operative Societies carrying on Life Insurance Business shall have no share capital on

which dividend or bonus is payable, their membership being restricted to original members on whose application the Societies are registered, and all Policyholders. Hence, Co-operative Insurance Societies are not in the ordinary sense earning profits for distribution to Shareholders, as, for example, Co-operative Banks or Purchase and Sales' Societies or Marketing Societies and the like.

While it is definitely not a part of the normal business of Purchase and Sales' Societies and Co-operative Societies other than Co-operative Insurance Societies to invest their funds in Government Securities, the same reasoning does not hold good in the case of Co-operative Societies carrying on Life Insurance Business. By the very nature of the business of Life Insurance which such Societies carry on, they are required to invest and keep invested the premia received by them from year to year in such a manner that a certain minimum rate of interest shall be earned by it and the funds thus accumulated with interest shall be adequate to discharge the liabilities as and when they occur. My Committee would, in this context, like to recapitulate the principles which govern the basic contract of Life Insurance. It is stipulated that in consideration of payment of a fixed sum of money each year on a particular date or dates over a number of years, the Co-operative Societies shall pay, on survival or prior death, a certain sum of money. In arriving at the consideration to be paid, the Co-operative Societies assume that they shall earn a particular rate of interest. Thus, the investment of the premia coming into their hands is not only a necessary part of their business but the most vital and essential part of the contract. It will be thus seen that whatever sums of money are received by way of premia are more or less in the nature of deposits which require to be returned by the Societies to their members in view of the undertaking given by them to pay the amount contracted for on the happening of the contingency insured against. A definite obligation is laid upon the Societies to earn a certain net rate of interest from year to year, which interest, as per the contract of Life Insurance, is included in the amount to be returned by the Societies. The Societies are not, therefore, in any way directly benefited from the interest income derived by them on the investment of these funds.

A further distinction needs to be made. These funds are neither profits nor surpluses. In the case of Co-operative Societies

carrying on the business of Life Insurance, profits or gains are determined periodically by a competent Actuary by valuation of the assets and liabilities of the Societies as at a given date. It is only at this stage that it is possible to speak of profits. Thus, when a Co-operative Life Insurance Society invests its funds in Government Securities, it does not invest profits or surpluses, but the premia received by it and which require to be so invested both due to the nature of the business and due to legal requirements, under Section 27 of the Insurance Act, 1938, and under the provisions of the various Co-operative Acts. Further, unless the actuarial valuation discloses a surplus, it would be financially very unsound to levy tax on the alternative basis provided in the Schedule, viz.: interest less quantified expenses. On account of the application of this basis tax is levied on Co-operative Insurance Companies. These payments in many cases have the very deleterious effect of making the company unsound financially and endangering the security of many poor and small employee Policyholders. Thus, in the case of the B.B. & C.I. Railway Co-operative Insurance Company, my Committee understand that the Company is called upon to pay tax although on an actuarial valuation there is a deficit, thereby depleting the funds of the Company to the point of rendering the whole concern financially weak.

It is obvious from the above that, in order to make available to Co-operative Societies transacting Life Insurance Business, the benefit contemplated by the exemption in question, the distinction between income from investments and property and income from business as such, should be removed and that the scope of the exemption should be enlarged so as to embrace the aggregate of all such income. If, however, due to the limitations inherent in subsection (3) of Section 60, the Board feel that at this stage it would not be permissible for the Central Government to extend the exemption in the above manner, my Committee submit that no time should be lost to make the relief available by suitably enlarging Section 4(3) of the Indian Income-tax Act so as to specifically exclude income from any source derived by a Co-operative Society doing Life Insurance Business from the liability to income-tax and super-tax. My Committee trust that Government will be pleased to give this matter their early and sympathetic consideration.

## APPENDIX 59

### Allowance of Expenses for Welfare Work, Charitable purposes etc.

*Letter No.* 1105, *dated* 28*th April* 1945, *from Chamber to Central Board of Revenue.*

I am directed by my Committee to address the Central Board of Revenue on the question of allowance of expenses incurred by employers in connection with activities of welfare of the employees generally, as also expenses incurred for general purposes of a charitable nature. In the Notes for the guidance of the Department appended to the Income-tax Manual, it is explained that *bona fide* expenditure of a revenue character for the welfare of employees is allowable. It is necessary to take a broad view in applying this instruction and in construing as to what was meant by the term 'welfare of employees'. Apart from the direct expenditure by employers in measures and efforts enuring to the exclusive benefit of their own employees, there are certain other occasions when expenditure has to be incurred by industrial undertakings for promoting welfare generally among employees on a collective basis. The point may be illustrated by certain hypothetic examples. Employers may be giving generally grants to institutions for labour welfare such as hospitals, schools, educational activities, sailors' home etc., the benefit of which may be shared by their employees along with others. It would not be, therefore, in keeping with the spirit of the general provision permitting allowance for welfare measures, to rigidly exclude such general grants. In short there should not be undue emphasis on the condition of exclusive benefit to one's own employees, but the test should be whether expenditure was really meant and incurred for welfare work. It is hoped that the Board will appreciate the point my Committee have in view.

In this connection, it has been pointed out to my Committee that contributions made by employers for institutions like Nursing Associations, Poor Boxes, Y.M.C.A., Hospitals etc., are under administrative instructions allowed as expenditure of a revenue character in the U.K. for Income-tax purposes. No such instructions have been issued here, with the result that such items are not generally allowed for taxation purposes in this country. It will

be agreed that there is no justification for this differentiation as in all such matters the Income-tax Law and practice here is supposed to be guided by the law and practice in the U.K.

My Committee, therefore, request that the Board will be pleased to examine this point and take a sympathetic view of the whole issue and to provide that expenditure of a revenue character for welfare measures in general and for subserving social and charitable causes are allowed for taxation purposes.

*Letter No. C. No. 27 (28), dated 5th July 1945, from Central Board of Revenue to Chamber.*

In reply to your letter No. 1105 dated the 28th April 1945, I am directed to say that the Board is not aware that an unduly rigid interpretation is given to the phrase "welfare of employees" in the instructions to which you refer. Speaking broadly, any expenditure incurred by employers to provide amenities for their employees is allowable.

2. In the case for example of grants made to Institutions such as Hospitals and Schools, the expenditure would be admissible if the Hospitals and Schools to which the grants are made render service to and directly benefit the employees. Each case has to be decided on its own facts. But contributions which are purely eleemosynary in character whether to recognised Social Institutions or organised Charities, are not allowable, and in this respect the Board are not aware that the practice in the United Kingdom is different.

3. It is open to you to bring to the notice of the Commissioner of Income-tax Bombay any instances where it is felt that an unduly narrow interpretation has been put on the instructions in question.

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## APPENDIX 60

### Stating of Income-tax Cases to the High Court under Section 66 of the Act

*Letter No. 3316, dated 10th December 1945, from Chamber to Prothonotary and Senior Master, High Court, Bombay.*

I am desired by the Committee of the Indian Merchants' Chamber to place before the Hon'ble the Chief Justice and the

Judges of the Bombay High Court certain suggestions and submissions relating to the rules and procedure governing the statement of a case to the High Court by the Income-tax Appellate Tribunal under Section 66 of the Indian Income-tax Act, 1922.

Section 66 requires the Appellate Tribunal to refer to the High Court any question of law arising out of an order made by the Tribunal, if so desired by the party concerned. The Hon'ble the Chief Justice and the Judges have prescribed rules governing and regulating the procedure relating to references and applications under the section. Under the corresponding section of the Income-tax Act before its amendment by the Act of 1939, i.e. before the institution of the Tribunal, there was a corresponding provision under which the Commissioner of Income-tax was required to draw up a statement of the case for reference to the High Court. The practice usually followed was that the Commissioner furnished the draft of his statement to the assessee in advance for suggestions and amendments, if any, before the same was finalised and submitted to the High Court. This practice allowed adequate opportunities to the assessee concerned to get all statements of law as well as facts specifically and fully included in the statement of case. The rules prescribed by the High Court, however, subsequent to the formation of the Tribunal, governing the procedure relating to references under Section 66 have not specifically provided that the Tribunal should be required to furnish, in advance, a draft of the proposed statement of case with a view to give the assessee concerned an opportunity to make suggestions regarding changes or additions as regards statement of facts before the same was finalised and submitted to the High Court. In the absence of such a positive provision, the Tribunal has not felt itself called upon to conform to the previous practice of settling the statement after prior consultation with the assessee ; in the result the assessee does not get a direct opportunity of stating the issues involved, from his point of view, in the reference.

In this connection, it is relevant to draw the attention of the Hon'ble the Chief Justice and the Judges to the provisions in the corresponding rules framed by the Allahabad High Court for purposes of references by the Tribunal to that Court. Rule 7 of the Allahabad High Court Rules reads as under :—

"Rule 7.—The Appellate Tribunal having stated a draft case shall submit the same to the parties or their Counsel with a request to supply the Appellate Tribunal with any suggested additions or amendments relating to the statement of facts or to the inclusion of documents within 14 days of the receipt of the same by the person to whom it is sent. In the event of no suggestions for addition or amendment being received by the Appellate Tribunal within the said 14 days, the Tribunal shall settle the case in its final form and supply three copies thereof to the Court for the use of the Judges and for filing, and one copy thereof both to the Legal Adviser to the Income-tax Department and to the Counsel for the assessee."

It will be observed that the Tribunal is specifically required to submit the draft case to the parties or their Counsel with a request that suggested additions or amendments be furnished within a period of 14 days. This procedure of previous consultation at present does not obtain in so far as references to the Bombay High Court are concerned. My Committee feel that steps should be taken to introduce the same practice in the Bombay High Court also. My Committee have reason to believe that lately there has been a growing feeling of dissatisfaction among assessees about the manner, form or scope of references made by the Tribunal under the section. It is therefore, submitted that the Hon'ble the Chief Justice and the Judges of the Bombay High Court will be pleased to consider the above suggestion and introduce a provision in the rules in question anolagous to Rule 7 of the Allahabad High Court.

*Copy of a letter No.* 185, *dated 27th February* 1946, *from Prothonotary and Senior Master, His Majesty's High Court, Bombay to the Secretary, Indian Merchants' Chamber.*

With reference to your letter dated the 8th|10th December 1945 suggesting that a rule may be framed requiring the Income-tax Appellate Tribunal to consult the Assessees before finally drawing up the statement of case for submission to this Court under Sec. 66 of the Indian Income-tax Act, I am directed by the Hon'ble the Chief Justice and Judges to state that it is not for the Court to frame any rule as to how the Appellate Tribunal should prepare a statement of the case. The matter is one for the Tribunal to consider and I am to suggest that you may move the Appellate Tribunal on the subject.

# APPENDIX 61

## Depreciation Allowance for Brick Industry

*Letter No. 29, dated 3rd January 1946, from Chamber to Central Board of Revenue.*

The Brick Merchants' Association, Ahmedabad, which is affiliated to this Chamber, has represented to my Committee the difficulties which its members are experiencing in the matter of certain allowances for purposes of Income-tax.

The main grievance is that Brick Merchants are not being allowed any depreciation in the cost or hire of the land they acquire from time to time for the manufacture of bricks. Clay is the main material used for making bricks. Merchants generally buy land or lease them on hire for the purpose of digging clay. Such fields, when dug depreciate considerably in value and are not saleable for even half their original price, as digging naturally leaves behind deep pits. The merchants, therefore, submit that they should be allowed as depreciation the loss in price sustained on account of the land leased out or the cost of the hire given for such lands as revenue expenditure for purposes of Income-tax. It would appear that some years back a rebate at the rate of as. 12 per 1,000 bricks for the above purpose was being allowed by the Income-tax authorities. Lately the rebate has been stopped.

My Committee feel that there is considerable force in the point of view put forward by the Association on behalf of the merchants. It is reasonable to suggest that all amounts spent by them for the purpose of the business should be duly allowed to them in arriving at the profits liable to taxation. In this connection, I am desired by my Committee to draw the attention of the Board to I.T.R. 157 (1945). In that case expenditure spent in acquiring short-term leases of salt-bearing land was allowed, because the salt-bearing earth was treated as stock of raw material used for manufacture. On the same analogy, the expenditure spent in acquiring leases of land for digging clay for brick manufacture should be equally allowable and my Committee request that the Board will be pleased to issue the necessary instructions for the allowance of the same.

## APPENDIX 62

### Computation of Refunds under 49(c) of the Income-tax Act

*Letter No. 2009, dated 24th July 1945, from Chamber to Central Board of Revenue.*

It may be recalled that the Committee of my Chamber had drawn the attention of the Central Board of Revenue to the complaint that, while dividend income was grossed up at the full Company-rate, credit of tax was allowed to the assessees only at the effective rate at which the Company paid tax after deduction of double Income-tax relief allowed to it. This was not in keeping with the strict requirements of Section 49-C. The Board were good enough to consider the point and issued a circular, vide Circular No. 43(1)-I.T./43, dated 10th March 1943, rectifying the position and containing clear instructions to the Department as to the procedure to be followed in computing the amounts of refunds for complying with the strict requirements of the Provisions of the Law. My Committee are thankful for the action taken by Government in this regard.

While the position, so far as the future is concerned, has thus been made clear, the Board have not, at the same time, thought it fit to issue any special instructions regarding past inaccuracies in computation. It is now accepted that the Departmental Officers had not understood the correct implications of the provisions in this regard and consequently had not allowed previously the relief to which the assessees were entitled to the full measure. It is not fair to penalise the assessees for a departmental oversight ; the lapse having been accepted, it is but reasonable to expect that the Board should make good the loss suffered by those concerned in consequence thereof. In order to enable this, necessary instructions should be issued making it possible to the Income-tax Officers to entertain applications for the rectification of past inaccuracies in the computation for a period of, at least, the last four years under Section 35 of the Act. Unless such instructions are issued, it may not be permissible for the Income-tax Officers to entertain such applications for any year prior to the date of the said Circular.

*Letter No. C. No. 43(1), dated 15th May 1945, from Central Board of Revenue to Chamber.*

Reference your letter No. 1111, dated the 30th April 1945.

2. A copy of Board's Circular No. 4 of 1945, on the above subject, is enclosed herewith.

Circular No. 4 of 1945.
C. No. 43(1) I.T./43.

CENTRAL BOARD OF REVENUE
*Simla, the 10th March 1945.*

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CIRCULAR

*Dividends—Refunds where section 49C is applicable—Computation of—Instructions regarding—.*

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It has come to the notice of the Board that the working of section 49C of the Income-tax Act is not fully understood by Income-tax Officers and consequently the instructions on page 333 of the Income-tax Manual (eighth edition) are not correctly followed. The error generally made in this respect is that while under section 16(2) the dividend is grossed up at the full company rate, credit of tax is allowed only at the effective rate at which the company paid tax after deduction of the double Income-tax relief allowed to it. This does not satisfy the requirements of section 49C and the shareholder gets a much lower refund than he would have got by the correct application of that section.

2. Section 49C lays down that—

(i) a shareholder is deemed to have himself obtained relief in respect of the dividend at the rate at which the company obtained such relief for the financial year preceding the year in which the dividend is paid. In other words, the relief obtained by the company in any financial year is passed on to its shareholders in the dividends distributed in the following year ; and

(ii) if the rate at which the company has obtained relief in the preceding year is greater than the rate at which the

shareholder is entitled to relief in the year in which the dividend is assessed, had such relief been granted direct to him instead of to the company, the excess is to be recovered from him either by assessment or by reduction of the refund due to him under section 48.

Thus, if 'R' represents the amount of relief obtained by the company in the preceding year, 'r' the amount of relief due to the shareholder with reference to his own appropriate rate, 'X' the amount by which the dividend is increased in grossing up, and 'x' the tax payable by the assessee thereon, then the refund due to him is (X—x)—(R—r) which is the same thing as (X—R)—(x—r). The example given below shows how calculations should be made.

*Example.*—Suppose a shareholder receives a dividend of Rs. 1,420 in 1943-44 from a company which obtained Income-tax relief for 1942-43 at ·9 pies only. (The entire profits of the company were taxed). The shareholder has other income of, say, Rs. 5,320.

| | Rs. |
|---|---|
| Dividend grossed up at the company rate of 50 pies (1943-44 rate) .. .. .. .. | 1,920 |
| Other income .. .. .. .. | 5,320 |
| | 7,240 |
| Rate of tax applicable to the shareholder (including surcharge) in respect of his dividend income. The rate applicable is that for 1943-44 and not 1944-45 as in the case of income from dividends the Finance Act retains the preceding years rate .. .. | 15 pies |
| Tax deemed to have been paid by the shareholder on the dividend (1920-1420) .. .. | 500 'X' |
| Tax payable by him on the dividend at 15 pies .. | 150 'x' |
| If there were no complication of d.i.t. relief obtained by the company, the excess tax paid on dividends would be Rs. 350 i.e. X—x. | |
| The rate at which d.i.t. relief has been obtained by the company is .9 pies or the amount of relief obtained on 1920 at this rate is .. .. .. | 9 'R' |

The rate at which d.i.t. relief is admissible to the share holder is 15 $\times \frac{9}{45}$ (45 pies being the company rate in 1942-43) = .3 pies of the amount of relief due is only .. .. .. .. 3 'r'

Thus the refund due in respect of the dividend is (X—x)—(R—r) or (500—150)—(9—3) which is the same as (500—9)—(150—3), *i.e.*, Rs. 344.

It should be specially noted that in computing the amount of double income-tax relief obtained by the company the fraction $\frac{9}{45}$ must not be applied to the tax of 500. This would give a figure of 10 instead of 9 worked out by applying .9 pies on 1920. The difference is due to the fact that as the grossing up is done with reference to the rate of 50 pies for the year 1943-44, the application of the fraction to this amount of tax at 50 pies (and not at 45 pies which was the company rate of tax when the relief was obtained) is tantamount to increasing proportionately the rate of relief of .9 pies to 1 pie. This reduces the refund due to the shareholder by one rupee and is not in accordance with the provisions of section 49C. It must also be noted that the application of this fraction $\frac{9}{45}$ to 150, *i.e.*, the tax payable by the shareholder on dividend does not make any difference and gives the same result as is obtained by calculating relief at .3 pies on 1920. This is because the rate at which relief is due to the shareholder *viz.*, 3 pies has been arrived at by applying this fraction to 15 pies which is the average rate of tax applicable to him for the year in question. Thus it is the amount of relief obtained by the company at the preceding year's rate which is to be compared with the amount of relief due to the shareholder for the year of assessment on the same basis. The rate at which the company obtains relief in 1943-44 is, for purposes of section 49C, passed on to the shareholder in the dividends distributed in 1944-45.

3. If owing to the delay in the assessment of the company, the rate at which the relief was due to it in the financial year next preceding the year in which the dividend was paid is not known, the rate at which relief was granted to it in the latest assessment year should be adopted for this purpose with a view to avoiding delay in the assessment of the shareholder. However, if the rate

applicable to a company in the preceding year has varied, the rate of relief should be varied accordingly. For instance, if in the example above, the company's rate of relief for 1942-43 were not available and for 1941-42 the rate at which the company obtained relief were .8 pies, this rate should be increased in proportion to the increase in the company rate, i.e., multiplied by $\frac{45\ (1942\text{-}43\ \text{rate},}{40\ (1941\text{-}42\ \text{rate},}$ which would give the rate of relief for 1942-43 to be .9 pies. Though the fractions $\frac{\cdot 8}{40}$ and $\frac{\cdot 9}{45}$ are the same and where the fraction is to be applied it would make no difference, the calculation of relief obtained by the company at .8 pies does make a difference of one rupee in the example given.

4. If after the assessment of the company for the relevant year it is found that the rate of relief adopted as above was not quite correct, the assessment should not be revised unless the assessee himself presses for it or unless the application of the correct rate makes a difference of Rs. 20 in tax in favour of or against the assessee. In the former case, the assessment should be rectified *suo motu* under section 35 and in the latter case, action should be taken under section 34.

S. RANGANATHAN,
*Secretary, Central Board of Revenue.*

Attested.

A. M. RAMACHANDRAN,
*Superintendent, Central Board of Revenue.*

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## APPENDIX 63

### Discrimination regarding Income-tax Relief between Government Provident Fund and Private Provident Fund

*Letter No. 2947, dated 26th October 1945, from Chamber to Central Board of Revenue.*

I am desired by the Committee of this Chamber to refer to the correspondence which they had with the Central Board of Revenue in the year 1942, ending with the Board's letter No. D. Dis. No. 44(18)-I-T.|42, dated the 26th October 1942, on the

question of amending the Indian Income-tax Act so as to bring private Provident Funds, recognised under the Indian Income-tax Act, on a par with Government Provident Funds under the Provident Fund Act of 1925 for purposes of exemption of accretions from taxation and for other income-tax reliefs and concessions. The Committee had in the said correspondence drawn the attention of the Board to the points of disparity in regard to the treatment accorded to the two types of Provident Funds and desired that early steps should be taken to remove the same. The Board, in their reply dated 26th October 1942; had observed that the position could not be changed without amending the relevant provisions of the Income-tax Act and that "the point will be further examined when a Bill to further amend the Income-tax Act is under contemplation". Since then, Government have on more than one occasion introduced legislation to amend the Indian Income-tax Act. Unfortunately, this point does not seem to have received further attention at the hands of Government and no step has been taken to pursue the matter further and to get the provisions of the Act suitably changed.

I am, therefore, desired by my Committee to address the Board once again in the matter. They state below the main points of difference in treatment, for purposes of income-tax relief, as between private Provident Funds and Government Provident Funds under the Provident Fund Act of 1925.

| *Provident Funds governed by Provident Fund Act, 1925.* | *Private Provident Funds recognised under the Indian Income-tax Act.* |
|---|---|
| 1. The employers' contribution and the interest accumulations to the credit of the Provident Fund are not taken into account in computing the total income of the employee for purposes of income-tax liability. | Under Section 58E of the Indian Income-tax Act, both these items are taken into account in computing the total income of the employee. |
| 2. *Exemptions allowed.* | *Exemptions allowed.* |
| (a) Insurance premia and employee's contribution to the extent of 1/6th of *total income* * or Rs. 6,000 whichever is less. [Sec. 15(1) and (3)]. | (a) Insurance premia and employee's and employer's contributions to the extent of 1/6th of *total income* * or Rs. 6,000 whichever is less. [Sec. 58F(1)]. |
| * i.e. including private income, allowances, etc. | * i.e. including private income, allowances, etc. but excluding employer's contribution and interest on Provident Fund. |

| | |
|---|---|
| (Thus in an 8 1/3% Provident Fund 1/12th of the total salary income is available for relief on account of insurance premia in addition to 1/6th on private income.) | (Thus in an 8 1/3% Provident Fund there will be no margin for relief on account of insurance premia, unless the employee has got private income—S. 15(1) and (3). |
| (b) Whole of interest is exempted. | (b) Interest upto 1/3rd of the annual *salary* provided it is not allowed at a rate exceeding 6% per annum. [S. 58F (2)]. |
| (c) Repayment of Provident Fund at the time of retirement or resignation—exempted unconditionally. (4th proviso to S. 7.) | (c) Exempted subject to conditions set out in S. 58G. (4th proviso to S. 7.) |

In order to illustrate the effect of these differential conditions in actual application, my Committee append herewith hypothetical instances of the results in applying the two sets of conditions and rules to the same income group. In the statement marked "A" the Income-tax Assessments of an employee drawing a salary of Rs. 2,000 per month have been worked out (1) where he is a member of a Provident Fund which is governed by the Provident Fund Act of 1925 and (2) where he is a member of a Provident Fund which is recognised under the Income-tax Act. It will be observed that whereas the tax liability on the basis of the reliefs and conditions attached to a private recognised Provident Fund is Rs. 4,239-10-0, a contributor to a Government Provident Fund recognised under the Provident Fund Act of 1925 will have to pay on the same income and on the same level of contributions, tax amounting to only Rs. 3,351-10-0. Thus a contributor to a private Provident Fund is called upon to pay a sum of Rs. 888 more than his compeer in a Government Provident Fund governed by the Provident Fund Act of 1925.

The assessee who is a member of a recognised private Provident Fund is at a further disadvantage in the assessment of super tax, if any, payable by him. The relief given for income-tax purposes by exempting the contributions to and interest on the Provident Fund is not available to him in the assessment of super-tax with the result that he has to pay super-tax on contributions to Provident Fund and interest on the accumulated balance to the credit of his Provident Fund account. On the other hand, in the case of an employee who is a member of a Provident Fund governed by the Provident Fund Act, 1925, the employer's contributions to

Provident Fund and interest credited annually on the accumulated balance to the credit of his account are not to be included in his total income with the result that no super-tax is assessed to him on these amounts. The injustice resulting from the existing state of affairs to a super-tax paying employee can best be illustrated by taking an example. Herewith is attached a statement marked "B" which shows the amount of income-tax and super-tax payable by an employee drawing a salary of Rs. 4,000 per month who gets the benefit of the Provident Fund Act, 1925 and by one who is not entitled under the present arrangements to the benefit of that Act. In the first case, the employee pays by way of income-tax and super-tax the sum of Rs. 14,257-14-0, while in the second, he has to pay the sum of Rs. 17,291-9-0 under the head of Income-tax and Super-tax. The disadvantage, therefore, suffered by an employee contributing to a private Provident Fund will amount to Rs. 3,033-11-0 every year.

In the examples given as per the enclosed statements 'A' and 'B' the hardship and injustice which a member of a recognised private Provident Fund has to suffer may be summarised as under :—

| | Member of a recognised private Provident Fund | Member of a Provident Fund governed by P. Fs. Act, 1925. | Extra Burden on (1) |
|---|---|---|---|
| | 1 | 2 | 3 |
| | Rs. | Rs. | Rs. |
| (1) Employee drawing Rs. 2,000 p. m. ... | 4,239 10 0 | 3,351 10 0 | 888 0 0 every year. |
| (2) Employee drawing Rs. 4,000 p. m. ... | 17,291 9 0 | 14,257 14 0 | 3,033 11 0 every year. |

NOTE.—In all cases calculations have been made at the current rates of income-tax, super-tax and surcharge.

My Committee submit that there is no justification for this differentiation in treatment. The Provident Fund Act, 1925, governs Provident Fund schemes set up by Government Departments and other semi-Government Bodies like the Railways, Local authorities, etc. Thus the reliefs for Provident Funds under that Act are mainly enjoyed by Government servants and servants of quasi-Government institutions. On the other hand, employees of

private employers and commercial undertakings come under the scheme of Provident Funds recognised under the Indian Income-tax Act. As has been indicated above, the terms and conditions governing reliefs for purposes of income-tax are not uniform and places the private Provident Funds in a position of disadvantage *vis-a-vis* Government Provident Funds. On grounds of equity and fairness it will be very difficult to justify this distinction. The main purpose of a Provident Fund is that an employee is encouraged to save and make the necessary provision for the future both for himself and for his family. It is with a view to assist him in that process that the concessions and reliefs in question have been mainly designed. Both the types of employees render similar services to their employers and earn their remuneration by personal exertion. They are entitled to be treated uniformly for purposes of tax liability and tax reliefs. Moreover, schemes of Provident Funds are mainly conceived as a measure of social service and welfare. The employers institute schemes of Provident Fund for the benefit of their employees and their families with a view to ensure that employees during their period of active service are enabled to accumulate as saving a majority of their earnings and the contributions by their employers as provision for the future. This aspect is recognised in the existing restrictions against withdrawals from the accretions to a Provident Fund. Viewed from this larger aspect of social service and welfare, the differentiation is all the more glaringly inequitable. It stands to reason that Government should not take away, in the form of taxation, a substantial slice from the amount of the annual additions to the credit of an individual employee's account in the Provident Fund.

My Committee, therefore, earnestly urge that Government should lose no time in removing the points of difference indicated above as between a Government Provident Fund and a private recognised Provident Fund, so that employees of private employers are not placed in a position of disadvantage for this purpose and are liable to pay income-tax and super-tax on only just the same basis as is applicable to employees who contribute to Government Provident Funds.

## COMPARATIVE EXAMPLES.

### Statement "A".

Pay of officer say Rs. 2,000 p.m. He pays Rs. 3,000 insurance premium on a Policy of Rs. 40,000 and contributes Rs. 2,000 to his Provident Fund, being one month's pay in a year. The employers contribute another Rs. 2,000 to his Provident Fund. The assessee has no income from any other source.

### I. Where the Provident Fund is governed by the Provident Fund Act, 1925:

| | | Rs. |
|---|---|---|
| Total Income ... | | 24,000 |
| *Less*: | | |
| Earned income relief (10% of pay or Rs. 2,000 whichever is less) ... | | 2,000 |
| Taxable Income ... | | 22,000 |
| Tax on above at average rate appropriate to an income of Rs. 22,000 ... | | 2,273 7 |
| Employee's contribution to Provident Fund ... | 2,000 | |
| Insurance Premium ... | 2,000 | |
| | 4,000* | |
| Tax on Rs. 4,000 as above at average rate appropriate to an income of Rs. 22,000 | | 413 5 |
| Net Income tax payable ... | | 1,860 2 |
| *Add*: Surcharge ... | | 1,491 8 |
| Total Tax Payable | | 3,351 10 |

* NOTE.—Deductions allowable on account of employee's contributions to Provident Fund and Insurance Premium are limited to 1/6th of total income or Rs. 6,000 whichever is less [S. 15(1) and (3)]. There is a further limit to allowable insurance premium, viz.: that it should not exceed 10% of the sum assured.

## II. Where the Provident Fund is a Recognized Provident Fund:

| | | Rs. | Rs. |
|---|---|---|---|
| Total Income—Salary | ... | 24,000 | |
| Employer's contribution | ... | 2,000 | (S. 58 E) |
| Interest on Provident Fund Accumulations | ... | 1,000 | ,, |
| | | 27,000 | |
| *Less*: | | | |
| Earned Income relief (10% of pay or Rs. 2,000 whichever is less) | ... | 2,000 | |
| Taxable Income | | 25,000 | |
| Tax on above at average rate appropriate to an income of Rs. 25,000 | ... | | 2,742 3 |
| Employer's and employee's contribution to Provident Fund | ... | 4,000 | |
| Interest on Provident Fund Accumulations | | 1,000 | |
| | | 5.000* | |
| (No margin left for allowing insurance premia). | | | |
| Tax on Rs. 5,000 as above at average rate appropriate to an income of Rs. 25,000 | | | 548 7 |
| Net Income-tax payable | ... | | 2,193 12 |
| *Add*: Surcharge | ... | | 1,795 14 |
| Total Income-tax payable | ... | | 3,989 10 |
| *Add*: Super-tax on Rs. 2,000 (i.e. 27,000 —25,000) | ... | | 250 0 |
| | | | 4.239 10 |

* NOTE.—Deductions allowable on account of employer's and employee's contributions are limited to 1|6th of salary or Rs. 6,000 whichever is less [S. 58-F(1)]; and interest on Provident Fund accumulations are allowed upto 1|3rd of salary provided the rate of interest does not exceed 6% per annum [S. 58-F(2)].

## Statement "B".

Pay of officer, say Rs. 4,000 p.m. He pays Rs. 3,000 insurance premium on a Policy of Rs. 40,000 and contributes Rs. 4,000 to his Provident Fund being one month's pay in a year. The employers contribute another Rs. 4,000 to his Provident Fund. The assessee has no income from any other source.

### I. Where the Provident Fund is governed by the Provident Fund Act, 1925:

| | | Rs. | | | |
|---|---|---|---|---|---|
| Total Income | ... | 48,000 | | | |
| (Employer's contribution to Provident Fund Rs. 4,000 and interest on Provident Fund accumulations Rs. 3,000 exempted from taxable income). | | | | | |
| *Less*: | | | | | |
| Earned Income relief (1/10th of pay or Rs. 2,000 whichever is less) | ... | 2,000 | | | |
| Taxable Income | ... | 46,000 | | | |
| | | | *Income-tax.* | | *Surcharge.* |
| | | | Rs. | a. | Rs. a. |
| Tax on above at average rate appropriate to an income of Rs. 46,000 | ... | | 6,023 | 7 | 5,197 15 |
| Employee's contribution to Provident Fund | ... | 4,000 | | | |
| Insurance premia | ... | 2,000 | | | |
| | | 6,000* | | | |
| Tax on Rs. 6,000 as above at average rate appropriate to an income of Rs. 46,000 | ... | | 785 | 10 | 677 14 |
| Net Income-tax payable | ... | | 5,237 | 13 | 4,520 1 |
| | Total | ... | Rs. 9,757 | 14 | |

* NOTE.—Deductions allowable on account of employee's contributions to Provident Fund and Insurance Premia are limited to 1|6th of total income or Rs. 6,000 whichever is less [S. 15(1) and (3)].--There is a further limit to allowable insurance premium, viz.: that it should not exceed 10% of the sum assured.

**Income for Super-tax purposes:**

| | | Rs. | a. |
|---|---|---|---|
| Total Income | ... | 48,000 | 0 |
| (Employer's contribution to Provident Fund Rs. 4,000 and interest on Provident Fund accumulations Rs. 3,000 exempted from total income). | | | |
| Super-tax on Rs. 48,000 | ... | 2,250 | 0 |
| Surcharge thereon | ... | 2,250 | 0 |
| | | 4,500 | 0 |
| Income-tax | ... | 9,757 | 14 |
| Super-tax | ... | 4,500 | 0 |
| Total | ... | 14,257 | 14 |

**II. Where the Provident Fund is a Recognized Provident Fund:**

| | | Rs. |
|---|---|---|
| Total Income | ... | 48,000 |
| Employer's contribution to Provident Fund | ... | 4,000 |
| Interest on Provident Fund accumulations | ... | 3,000 |
| | | 55,000 |
| *Less:* | | |
| Earned Income relief 10% of pay or Rs. 2,000 whichever is less | ... ... | 2,000 |
| Taxable Income | ... ... | 53,000 |

| | | *Tax* | | *Surcharge* | |
|---|---|---|---|---|---|
| | | Rs. | | Rs. | |
| Tax on above at average rate appropriate to an income of Rs. 53,000 | ... | 7,117 | 3 | 6,182 | 5 |
| Employer's contribution and employee's contribution to Provident Fund | 6,000* | | | | |
| Interest on Provident Fund accumulations | 3,000 | | | | |
| | 9,000 | | | | |

* NOTE.—Deductions allowable on account of employer's and employee's contributions are limited to 1|6th of salary or Rs. 6,000 whichever is less [S. 58-F(1)], and interest on Provident Fund accumulations are allowed upto 1|3rd of salary provided the rate of interest does not exceed 6% per annum [S. 58-F(2)] (in both the above examples it has been assumed that the assessee has no private income).

| | Rs. | Rs. |
|---|---|---|
| (No margin left for allowing insurance premia.) Tax on Rs. 9,000 as above at average rate appropriate to an income of Rs. 53,000 | 1,208 7 | 1,049 8 |
| Net Income-tax payable ... | 5,908 12 | 5,132 13 |
| Surcharge thereon ... | 5,132 13 | |
| | 11,041 9 | |

**Income for Super-tax purposes:**

| | Rs. |
|---|---|
| Total Income (datails as above) ... | 55,000 |
| Super-tax on Rs. 55,000 ... ... | 3,125 |
| Surcharge thereon ... ... | 3,125 |
| | 6,250 |
| Income-tax ... ... | 11,041 9 |
| Super-tax ... ... | 6,250 0 |
| | 17,291 9 |

*Letter No. C. No. 44|I.T., dated 27th April 1946 from Central Board of Revenue to Chamber.*

I am directed to express regret for the delay in replying to your letter No. 2947, dated the 26th October, 1945, on the subject of the differentiation between Government and private Provident Funds in the matter of the incidence of income-tax and super-tax on the subscribers to the Funds.

2. The Boards undertaking in the matter given in October 1942 had reference to a future general amendment of the Act; no such general amendment has been undertaken or considered since that time. The point will be examined when a general revision of the Act or a general revision of Chapter IX 'A' is undertaken.

The Board wish, however, to take this opportunity of stating that they are unable to accept the proposition that any hardship is involved in the case of subscribers to private Provident Funds merely because subscribers to Government Funds or quasi-Government Funds, governed by the Provident Fund Act of 1925, are in a more favourable position. The remuneration and the conditions of service of Government or quasi Government servants and

of employees of private concerns are governed by different principles and what applies to one class need not necessarily apply to the other.

*Letter No.* 1284, *dated* 15*th May* 1946 *from Chamber to Central Board of Revenue.*

I am directed to acknowledge receipt of your letter C. No. 44(14)-I.T./46, dated the 27th April 1946, on the above subject, the contents of which have been noted by my Committee.

They are thankful to the Board for the assurance that the issues raised by them in their communication dated the 26th October 1945, regarding elimination of points of difference, for purposes of tax relief, between private Provident Funds and Government and quasi-Government Provident Funds, will receive due consideration when a general revision of the Income-tax Act or of Chapter IX 'A' is undertaken.

They are, however, unable to agree to the implication of the statement contained in the last para of your letter to the effect that no hardship is involved in the case of subscribers to private Provident Funds merely because subscribers to Government Funds or quasi-Government Funds are placed in a more favourable position. In justification, Government seek to suggest that the remuneration and the conditions of service of Government or quasi-Government servants and of employees of private concerns are governed by different principles and what applies to one class need not necessarily apply to the other. That argument, if pressed to its logical conclusion, would mean, according to Government, that different services could, for purposes of taxation also, have different basis or standards, and that the rates applicable for taxation could, if necessary, be more favourable so far as Government servants are concerned. The suggestion, to say the least, is fantastic.

With all due deference, my Committee would like to point out that the point at issue is the tax relief and not the terms and conditions of service. Private employees should be entitled to tax relief to the same extent and basis as employees of Government or quasi-Government undertakings. My Committee are also unable to agree to the implication of Government's statement that the terms and conditions of services are less favourable in Government employment and that therefore there is no real discrimination when

Government servants are afforded more favourable terms in the matter of reliefs, sanctioned for purposes of Provident Funds under the rules and regulations in force in that connection. If at all, the converse would be a more correct picture of the existing state of affairs. Provident Fund is a provision for the future. Government servants have, in addition to such Provident Funds, schemes of pension and in some cases payment of gratuity. Such benefits are not a common feature in private employment. In the opinion of my Committee, therefore, it will be very difficult for Government to sustain their point of view that the terms and conditions of service for Government employees are less favourable than those of commercial or private employees and on that account to justify the existing disparity in the basis of relief from taxation.

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## APPENDIX 64

### Set off of loss under Section 24(2) of the Indian Income-tax Act—Interpretations of the term "Same Business"

*Letter No.* 1926, *dated 24th July* 1945, *from Chamber to Central Board of Revenue.*

I am directed to invite a reference to the discussion on the above point which the Committee of this Chamber had with Sir John Sheehy, C.S.I., I.C.S., Member, Central Board of Revenue, and Mr. C. W. Ayres, C.I.E., E.P.T. Adviser to the Board, at the meeting which they had with the Committee on 30th August last, *vice* summary of the record of the meeting, returned approved with your letter C No. 54(16)-I.T.|44, dated 26th October 1944. The Members of the Board had, on that occasion, assured my Committee that in the case of assessees having dealings in several markets it would not be proper for purposes of Section 24(2) to say that the person concerned was carrying on separate business in each such market and that consequently the trading results in all the markets should be aggregated for applying the relief in respect of carry-forward. They had added that if any instance in which the Section had been applied otherwise came to the notice of the Chamber the matter would be looked into if the facts were brought to the notice of the Board. I am quoting, for purposes of ready reference, extracts from the record of the said discussion covering this point :—

"In the course of the supplementary discussion, Sir John Sheehy pointed out that in the case of a speculator having dealings in several markets, it would not be proper to say that the person was carrying on a separate business in each market.

"Mr. Ayres, who was consulted on the point in regard to the practice in the U. K. under the corresponding provision of the English Act, confirmed that the Inland Board of Revenue in England also did not treat operations on several markets as separate business unless the facts were such as to constitute a separate or distinct business in respect of each such market.

"Sir John Sheehy suggested that if, in the opinion of the Chamber, the provisions in the section had been applied in a vexatious manner in any specific case, the facts of the same might be brought to the notice of the Board and the matter would be looked into."

A case has now been brought to the notice of my Committee in which the Income-tax Officer is seeking to treat transactions of a particular assessee in different forward markets separately, thereby denying him the relief to the extent contemplated by the section in respect of carry-forward of losses.

The case reference number is G. I. No. 13008 of 1942-43 and 1943-44, appeals against which are still pending. The facts of this case are that the assessee suffered a loss of Rs. 68,103 in S. Y. 1996, i.e. assessment year 1941-42, which he carried forward. In S. Y. 1997 he again suffered a net loss of Rs. 14,627. A claim therefore was made for carry-forward of Rs. 82,730 which was rejected. Again in S. Y. 1998 the assessee suffered a net loss of Rs. 25,262 which, after being set off against the profits in other sources, the speculation loss to be carried forward was Rs. 10,125. A total claim for Rs. 92,855 including the previous accumulated losses was put forward, but the same also was rejected by the Officer. Not only that, but the Income-tax Officer has split up the activities of the assessee over different markets and carried forward the loss or profit according to the activities and not according to the integral business.

Surely, the procedure followed by the Income-tax Officer in this case does not appear to be in keeping with the requirements under the provisions as enunciated by the Member of the Board

in the above discussion with my Committee. It is requested that the Board will be pleased to look into the matter and issue necessary instructions.

*Letter No. C. No. 27(40), dated 20th April 1946 from Central Board of Revenue to Chamber.*

With reference to your letter No. 1926, dated the 24th July 1945, I am directed to say that necessary instructions for treating the losses from speculation in different commodities as arising from one business have been issued to the Income-tax Officer concerned.

## APPENDIX 65

### Income-tax and E. P. T. (Validating of Notices) Ordinance 1944*

*Letter No. 45(81) I.T.|44, dated 28th March 1945, from Central Board of Revenue to Chamber.*

In reply to your letter No. 544, dated the 23rd February 1945, regarding Ordinance No. XLV of 1944, I am directed to say that in cases where a notice issued under Section 22 of the Income-tax Act was not complied with on the ground merely that the notice was invalid, no penalty or prosecution proceedings will be taken by the Income-tax Officers under Section 28 or 51 of the Income-tax Act. In cases however where the notice was complied with and inaccurate particulars of income furnished deliberately or statements made under Section 37, the invalidity of the notice on the ground of insufficient time cannot be subsequently urged with any show of reason as a sufficient cause for escaping the consequences arising therefrom. Any cases of genuine hardship may, however, be brought to the notice of the Commissioner concerned who is being instructed to look into them.

## APPENDIX 66

### Insurance Enquiry Committee and Management of Insurance Companies

*Letter No. 751-I(9)|45, dated 17th May 1945, from Superintendent of Insurance to Chamber.*

The attention of the Government of India was recently drawn to some trends and undesirable features in the management of

* For previous correspondence see Report 1944, p. 204.

insurance companies. The Government of India has therefore set up a Committee consisting of the following persons :—

**Chairman**

1. Sir Cowasjee Jehangir, Bart., G.B.E., K.C.I.E., O.B.E., M.L.A.

**Members**

2 Wajahat Hussein, Esquire,
3. Sir Alan Lloyd, C.S.I., C.I.E.,
4. J. K. Mitter, Esquire,
5. Sir George Morton,
6. K. R. P. Shroff, Esquire,
7. L. S. Vaidyanathan, Esquire.

The purpose of this Committee is to enquire into and to recommend measures that should be taken to check this evil. Some of the features appear to be (i) cornering of shares of insurers at prohibitive prices and frequent changes in the controlling personnel of insurance companies, (ii) interlocking of interests between banks and insurance companies, and (iii) speculative investments of insurance funds. There may be others of which you may be aware.

I am directed to invite your association to send its views and observations in this connection in writing. I am to assure you that your views will be kept confidential and will receive the most careful consideration of the Committee. In view of the shortness of time before the Committee, I am to request you to send your views so as to reach me before the 6th of June 1945, preferably together with 6 copies thereof.

*Letter No.* 1469, *dated* 14*th June* 1945, *from Chamber to Superintendent of Insurance, Government of India.*

I am directed to refer to your letter No. 751-I(9)|45 of the 17th May 1945 on the above subject and to reply to you as under :

Your letter refers to certain recent trends and undesirable features in the management of Insurance Companies and desires the views of my Committee on measures that should be taken to check the evil. As my Committee had no authoritative information about the trends or features or the circumstances connected with it, they requested you, by their letter of the 24th May to furnish them with full information on the factual

aspects. From your reply of the 4th June 1945, No. O-594-IE|45, it appears that your Committee has " first to find out the facts and circumstances ". In the absence of full and authoritative information on the factual aspects, my Committee are naturally at a disadvantage in considering the issues raised in your communication in all their aspects and in their proper perspective.

My Committee appreciate that in the case of Insurance companies transacting life business, apart from the interests of the shareholders, the policyholders have also an important stake and that therefore, it is necessary to eliminate any practices which may tend to weaken the confidence of the public in the management of such companies. In your letter under reply you make particular mention of the following features :—

(i) cornering of shares of insurance companies at prohibitive prices and frequent changes in the controlling personnel of Insurance Companies ;

(ii) interlocking of interests between banks and insurance companies ; and

(iii) speculative investment of insurance funds.

While my Committee feel that frequent changes in the controlling personnel of insurance companies and investment of insurance funds purely for speculative purposes are obviously undesirable, the real test of the success of the working of insurance companies is to be found in the ability, efficiency and integrity of their management. It will be difficult to condemn the interlocking of interests between banks and insurance companies and the cornering of shares of insurance companies *per se*. All would depend on the circumstances under which steps may have been taken in that direction. If the cornering of shares or the interlocking of funds are to affect the management and to make the working of the insurance company concerned uneconomical and render its funds unsafe, there could be no question that anything which tended to do so should be prevented. However, in the absence of complete data, my Committee are not in a position to judge whether certain features which are considered undesirable are existing on a large-scale and whether the extent to which they are existing at present will justify taking drastic steps in connection therewith. My Com-

mittee can only come to a decision in the matter after knowing all the facts which unfortunately are not available to them.

Before, therefore, my Committee express an opinion on the desirability or otherwise of taking any measures to check or eliminate any such features, Government or your Committee should furnish them with actual proposals in that direction together with a summary of the data on which they may be based, in order to enable them to give the matter full and proper consideration. It is relevant, in this connection, to mention that Indian insurance companies are still in a stage of development and they have to fight their way against the competition of old established foreign interests. It is, therefore, necessary to ensure that no restriction, legislative or otherwise, is placed on the organisation and activities of Indian insurance companies which would be in the nature of handicaps in the way of their progress.

The existing provisions of the Indian Insurance Act provide that 55 per cent of the Life funds shall be invested in Government and Approved Securities. It is possible that, having regard to the incidents leading to the present enquiry, Government may suggest, for the purpose of removing the trends which may be considered undesirable, that the power of the Insurance Management should be further curtailed and that a larger quantum of the insurance funds should be invested in Government or Approved Securities. My Committee feel that the national economy of a country should be considered as a whole and in the light of the conditions and circumstances existing in the land. They hold that any further restriction on the power of the management of insurance companies in regard to investment of insurance funds is undesirable. Apart from the profit motive which may shape the policy governing the investment of the balance of the funds, it is also necessary that such funds should be allowed to be harnessed for purposes of developing Indian trade, commerce and industries. As a matter of fact, Indian commercial interests have pleaded for a relaxation in the existing restrictions governing investment with a view to enable the management of Life Insurance Companies to distribute the investment of their surplus funds on a more economical and more practical basis. My Committee need not add that all this would depend on the soundness of the management concerned and until indisputable facts are brought out to prove

that undesirable management exists today to a very large extent, it will be suicidal to vest the Government or any other authorities with greater and stricter powers of supervision and control over investment of insurance funds.

My Committee recognise that it is desirable to prevent interlocking of interests between banks and insurance companies. They will be prepared to give their considered views on any suggestion which Government or your Committee may formulate for achieving that object. In the meanwhile, they feel that a provision restricting the freedom of persons engaged in the Managerial staff of a Bank to interest themselves in the management of insurance companies and *vice versa*, will go a long way to prevent such interlocking of interests. It may be laid down by law that a person who is holding an office of profit as, say, Manager or Managing Director of a Life Insurance Company, shall be precluded from holding an office of profit in a bank. Similarly, the Manager or the Managing Director of a Bank shall not be entitled to be appointed as the Manager or the Managing Director of a Life Assurance Company.

While on this, my Committee would like to draw the attention of Government to the existence of schemes of life insurance for the benefit of the depositors, particularly in the Savings Banks, sponsored by some of the banks. The primary object of such a scheme is that the depositor is allowed, under certain terms and conditions, additional protection of a cover on his life. For the carrying out of such schemes, the banks concerned have established subsidiary companies or made special arrangements. In such cases as interlocking of interests, both financial and managerial, between the bank in question and the insurance company is an integral feature for the successful working of the scheme and cannot be avoided. Even if Government or your Committee ultimately find it necessary to initiate any proposals for eliminating or preventing certain aspects of the interlocking of interests between banks and insurance companies such proposals or restrictions should not, at all events, apply and affect schemes of insurance for the benefit of depositors in a bank as such schemes pre-suppose an active and close integration of interests as between the banking company and the insurance company or agency concerned. My Committee, therefore, emphasise that an exception should be made in the case

of schemes of insurance for the benefit of depositors in a bank, in the event of Government ultimately deciding to introduce any measures for preventing interlocking of interests.

In conclusion, my Committee urge that, while they will be prepared to examine any proposals for facilitating the healthy growth and development of Indian insurance companies, due regard should be given to the fact that Indian insurance is still in a stage of development and that restrictions, legislative or administrative, which will stand in the way of their further progress, must, at all events, be avoided.

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## APPENDIX 67

### Increase in Depreciation Allowance for Plant and Machinery and Building

*Letter No. 738|C., dated 15th March 1945, from Chamber to Finance Department, Government of India.*

I am directed by the Committee of the Indian Merchants' Chamber to address Government in connection with the proposal for the grant of special initial depreciation allowances in respect of new buildings erected and new plant and machinery installed after 31st March 1945. The Hon'ble the Finance Member in his Budget Statement announced that it was intended that this allowance would be at the rate of 20 per cent on plant and machinery and 10 per cent on buildings, in addition to the usual rates of depreciation allowance. Clause 3 of the Bill to amend the Indian Income-tax and E.P.T. Acts, which seeks to give effect to the above relief, provides that the same shall be available only to buildings newly erected or new plant and machinery installed after the 31st March 1945 and shall be available in respect of the year of erection or installation.

My Committee have already in their statement on the Budget proposals issued on 1st March 1945 and in their telegram dated 6th March to Government expressed their view that the proposals in this regard adumbrated in the Finance Member's speech and subsequently embodied in the Bills in question, do not go far enough and will not meet the requirements of the situation. He

claimed that this was intended to assist industry in the process of early re-equipment and for the restoration and expansion of the machinery for production. The above objects, however, will not be helped materially by the proposed relief particularly in view of the fact that the replacement cost of machinery in the post-war period is bound to be considerably higher with the result that industries will be hard put to, to find the necessary capital resources out of any reserves that it may be possible for them to build up for such rehabilitation and re-equipment, and thus bridge the huge gap between the cost of replacement and the original cost of their units.

The Committee have already in their telegram sent on the 6th instant, urged upon Government the necessity for a scheme of liberal allowances which would enable industries to bridge the wide gap between replacement cost and the original cost in order to assist the process of re-equipment and maintenance of machinery and equipment in conditions of proper efficiency and working order. The Committee would, therefore, earnestly urge upon Government the desirability of making such further amendments in the Income-tax and the E. P. T. Acts as might enable them to secure allowances for their rehabilitation, not to speak about their expansion which they very badly need.

The immediate purpose of this further communication is to submit to Government the vital necessity for extending the proposed relief of 20 per cent initial depreciation allowance on plant and machinery and 10 per cent on buildings to all machinery installed and all buildings erected after 31st March 1941. All new installations during the period of the war naturally have been made at costs considerably higher than those prevailing during normal times. As the relief, according to Government, is with a view to assist the process of re-equipment, there is no justification for confining the same to expenditure on new buildings and installations incurred after 31st March 1945. The relief should be equally available in respect of all buildings and all new plant and machinery erected or installed after 31st March 1941. It is not fair that industrialists who, in order to step up production and assist the war effort, incurred capital expenditure, at inflated cost due to war-time conditions and circumstances over which they had no

control during the last three or four years, should be denied this relief which Government propose to extend to new efforts in that direction made hereafter.

If in accepting this suggestion Government feel that there will be practical administrative difficulties in giving effect to the same, in that completed assessments will have to be reopened for adjusting expenditure allowable on account of depreciation and for arriving at the revised amount of tax payable by the assessees concerned, my Committee suggest that instead of allowing the extra relief in the year of erection or installation, the same may be made available in the first assessment year after the coming into force of the new basis of allowance in respect of all additions and new installations after 31st March 1941.

My Committee hope that Government will appreciate the reasonableness of the suggestions made herein and give effect to the same by suitable modifications and changes in the Income-tax and the E. P. T. Acts and rules thereunder.

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## APPENDIX 68

### War Risks (Goods) and (Factories) Insurance

*Telegram, dated 13th June 1945, from Chamber to Commerce Department.*

Having regard to the great change in the war situation following the cessation of hostilities in the West and the shifting of the scene of operations in the East and the consequent diminution of chances of risk of loss due to enemy action Committee Indian Merchants' Chamber strongly urge that Government will be pleased to agree to the provision of free cover under War Risk Factories Insurance without payment of further instalments for the rest of the financial year ending March 1946, as in U.K. Similarly in the case of goods insurance policies remaining in force at the end of each quarter should be renewed and extended free of charge for subsequent quarters and in cases of fresh insurance the scale of premium should be reduced to a nominal rate of one pie per cent per annum. The improvement in the war situation justifies the above reliefs. Moreover, according to statement of accounts relating to the two war risk insurance funds published in January

this year the accretions exceed rupees 32 crores. The position must have been further augmented by subsequent collections. In view particularly of this large balance there is no longer any justification for continuing the present high rates of premia. Request early announcement of modifications on lines indicated above.

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## APPENDIX 69

### Refund of Customs Duty on Egyptian Cotton Bales destroyed in the Bombay Docks

*Letter No.* 1106, *dated* 30*th April* 1945, *from Chamber to Central Board of Revenue.*

Messrs. Kilachand Devchand & Co., Ltd., a Member of this Chamber, have forwarded to my Committee copies of the correspondence that has passed between them and the Central Board of Revenue regarding the question of refund of customs duty paid in respect of Egyptian cotton bales destroyed by the Bombay explosion of 1944. The facts of the case may be briefly stated here. A shipment of 684 bales of Egyptian cotton was received in Bombay prior to the explosion, consigned to Messrs. Kilachand Devchand & Co., Ltd., on account of various textile mills for whom the goods were intended. The cotton was discharged immediately after the arrival of the vessel in Bombay and in order to expedite delivery the consignees deposited with the Collector of Customs a sum of Rs. 63,830 as provisional duty. The bales intended for delivery to the local mills were all immediately cleared and removed ; and the bales intended for upcountry mills, however, were removed as and when railway wagons were made available under the priority certificates issued by the Textile Control authorities. In this manner, about 410 bales out of the consignment were taken delivery of. There remained thus 274 bales which were lying in the Docks when the explosion of last year occurred. It appears that a further quantity of 59 bales were subsequently reclaimed, the balance of 215 bales having been completely destroyed as a result of the explosion. The said quantity of 215 bales were meant for despatch to three different mills at Ahmedabad and Coimbatore.

The cotton was purchased on C. I. F. contract and the Insurance companies have paid the loss to the extent of the value for

which insurance was effected in terms of the said contract. The said value did not naturally include the amount of Customs duty payable in British India. Messrs. Kilachand Devchand & Co., therefore applied to the Collector of Customs for the refund of duty in respect of the said lot of 215 bales. It is significant to point out that the company made provisional payment of duty for the whole consignment with a view to expedite and facilitate its immediate clearance. In their application to the Central Board, dated 3rd November 1944, they have fully set forth the circumstances. They have further pointed out the conditions governing the importation of foreign cotton at the moment under the existing system of control on imports. If the amount of duty paid in respect of the bales in question is not refunded they would be put to needless loss for no fault of theirs, as primarily the delay in effecting complete clearance and delivery of the whole consignment was caused by the inability of the authorities concerned to furnish the necessary transport facilities in time.

The Board in their reply have pointed out that the Sea Customs Act did not provide for remission of import duty on goods lost after entry for home consumption and that therefore the claim for refund could not be agreed to. Whatever may be the technical position under the Act, my Committee submit that having regard to the special circumstances connected with this loss, the matter requires to be looked at from a wider standpoint. The provisional payment of duty was made because of the anxiety of the consignees to facilitate the speedy clearance and delivery of the consignment. The consignment in question passed through the hands of Messrs. Kilachand as part of the control arrangements made by Government for the importation and distribution of foreign cotton for essential requirements in the country. They had no financial interest in the same ; nor they or the mills were expected to make substantial profits out of the transaction as the rates in all the stages have been fixed by Government. If, therefore, the amount of the Customs duty paid in respect of the said bales is not refunded, the consignees will be put to needless loss for no fault of theirs. My Committee request the Board to be pleased to take the above special factors into consideration and to grant the refund claim in question. If the same is not covered by the existing conditions regarding refund under the Sea Customs Act, it is suggested that some

special provision may be made to cover cases of the type resulting from the explosion, as part of the various other measures which Government have found it necessary to take in consequence of the explosion. My Committee need only emphasise that in equity the consignees have a strong claim, and it is not fair to reject the same just because the existing provisions of the Sea Customs Act had not foreseen such a contingency and provided for it.

My Committee understand that there are other cases similarly placed. It is, therefore, necessary that the Board should take a sympathetic view of the position and arrange for the necessary relief.

*Letter No. L. Dis. No.* 381-*Cus. I*|45, *dated* 16*th May* 1945, *from Central Board of Revenue to Chamber.*

With reference to your letter No. 1106, dated the 30th April 1945, I am directed to state that, as Messrs. Kilachand Devchand & Company Limited, have already been informed, the Board is unable to direct payment of refund of the customs duty paid on the Egyptian cotton bales in question, as such refund is not permissible under the Customs law in cases of this kind.

2. Your proposal that some special provision should be made for grant of relief in such cases is a matter which concerns the Government of India in the Finance Department and your letter has accordingly been transferred to them.

*Letter No.* 1339, *dated* 1*st June* 1945, *from Chamber to Finance Department, Government of India.*

The Committee of this Chamber had addressed a communication to the Central Board of Revenue, drawing their attention to a case of loss arising in respect of Customs duty on a consignment of Egyptian cotton destroyed by the Bombay Explosion in 1944. The facts of the case are set out in detail in the accompanying copy of the representation in question sent to the Board.

In this connection, my Committee have received a reply from the Central Board, a copy of which is also enclosed herewith. The Board point out that under the existing provisions of the Indian Sea Customs Act, refund of the amount paid as duty, as suggested by the Committee, is not allowable.

My Committee had at the same time in the said representation made a suggestion that, if the existing conditions regarding refund under the Sea Customs Act will not cover the case in question, some special provision may be made to cover cases of the type of losses resulting from the Explosion as a part of the various other measures for relief which Government have found it necessary to take in consequence of the Explosion. The Board mention that this suggestion for some special relief has been passed on to your Department.

The Scheme of Compensation for Explosion losses sanctioned and adopted by the Government of India recognized the principle that the public and the mercantile community should not suffer on account of the losses resulting from the Explosion or its consequences. The loss referred to in the case in question, viz. : customs duty paid on consignment of Egyptian cotton which was destroyed by the Explosion, is a loss directly resulting from the Explosion, and as such it is but in the fitness of things that Government should make some special provision for compensating such losses also.

My Committee feel confident that the Government of India will appreciate the justness of the claim referred by Messrs. Kilachand Devchand & Co., Ltd., and pass the necessary orders with a view to losses of this type being compensated.

*Letter No.* F-3(3)|WII|45, *dated 23rd May* 1945, *from Finance Department, Government of India, to Chamber.*

With reference to your letter dated the 30th January 1945 on the subject mentioned above, and the subsequent discussion of this topic in Bombay, I am directed to state that the Governor-General-in-Council has been pleased to decide that the customs duty, if any, paid on account of goods lost in the Bombay explosion will be taken into account in the following manner in awarding compensation.

No refund of the duty paid will be made by the Customs authorities in any case. But where compensation awarded does not take into account the customs duty paid in respect of the lost or damaged goods, a supplementary claim for the amount of the customs duty may be made, in the case where such amount is not covered by an insurance policy, to the Claims Commissioner and

in the case where it is so covered, to the Claims Commissioner and in the case where it is so awarded takes into account the customs duty paid in respect of the lost or damaged goods, no further claim in respect of the customs duty should be entertained.

The claimants should in all cases be required to produce satisfactory proof of the extent of the duty paid and of the refunds if any, made, by the Customs authorities on account of the goods in question.

Cases which have already been decided may be re-opened and additional compensation on these lines paid, if necessary, at your discretion.

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## APPENDIX 70

### Import duty on Cocoa Beans

*Letter No. 2727, dated 5th October 1945, from Chamber to Food Department, Govt. of India.*

The attention of my Committee has been drawn to the difficulties experienced by importers of and dealers in tinned, bottled and refrigerated foodstuffs and provisions under the existing scheme of imports of these articles. Early in 1943 Government restricted imports of tinned and bottled provisions. Having regard, however, to the acute scarcity of such articles in the country, a scheme was evolved and a Food Panel for Import to advise the Regional Food Controller in the above matter was instituted. Under this scheme, 13 importing houses (9 European and 4 Indian) are authorised and allowed to import limited quantities of tinned and bottled provisions from countries like Australia, New Zealand, Africa, etc. There has, however, not been any definite policy or principle on the basis of which such firms and houses were selected. My Committee are given to understand that such importers were chosen without taking into consideration the claims of other genuine importers ; and a large number of Indian interests who had substantial imports in the past have been left out.

It is conceivable that, with the improvement in the supply position in the exporting countries and with more shipping space available, larger quantities of tinned and bottled foodstuffs may

be available for import into this country. It is unfair that the imports should be confined to the 13 parties at present selected under the Panel system. As in all other import trades, if control is to be continued, imports should be linked to the pre-war share of the trade and all importers, who had imports in the basic period, should be given quotas definitely related to the trade in that period. The continuation of the present position would mean the creation of vested interests of a privileged few in the import trade for these articles.

It is requested that Government will be pleased to look into this matter and evolve a scheme for licensing of imports which would remove the above element of injustice and give fair opportunities to all those who were previously in the trade.

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## APPENDIX 71

### Industrial Statistics Act, 1942

*Letter No. 865, dated 27th March 1945, from Chamber to Industries and Civil Supplies Department.*

My Committee are given to understand that the Government intend to enforce the Industrial Statistics Act, 1942, shortly. In this connection, it would appear that the forms in which industrial undertakings will be required to submit returns, are at present being framed and settled with a view to the necessary rules under the Act being issued. My Committee have seen a draft of such forms for the Chemical and Pharmaceutical Industry. The Industry is required, under the same, to furnish details about its products and by-products, materials used in the manufacture, details of specifications of all products and by-products, and of all the finished products, information about costs, and various other particulars of a subsidiary character. They are unable to see the justification for requiring the manufacturers to furnish Government with such detailed information. Apart from the onerous nature of the work in collecting and furnishing the same, there is also the question as to why information about the composition or specifications of particular products are required by Government for statistical purposes.

It may be recalled that the main object for which the Industrial Statistics Act was passed was for facilitating the work of collecting statistics relating to production. It was not intended that manufacturers would be required under the Act to furnish details of the above description which are, in the opinion of my Committee, not necessary for the main purpose of collecting and maintaining statistics relating to industries.

It is also significant to point out that this Act was passed following the discussions and decisions in that connection made at the Eleventh Industrial Conference. A note on the subject submitted to that Conference had recommended that to start with statistics and information on the following general heads might be collected :—

(i) Number of factories
(ii) Gross output
  (*a*) quantity
  (*b*) value
(iii) Total cost of materials—
  (*a*) Indian
  (*b*) imported
(iv) Total wage bill
(v) Number of persons employed
(vi) Total cost of power.

The main purpose underlying the legislation would be served by the above information of a general character, and my Committee are of the opinion that Government should not call for additional details and information from the different industries.

At any rate, the forms to be prescribed for the different kinds of industries should be settled in consultation with Associations and Organizations representing such industries, and in the case of industries which are not organized into separate Associations, after consulting representative interests in those lines.

My Committee hope that Government will be pleased to accept the above suggestions and confine their enquiries for information to the extent indicated in the note submitted to the Eleventh Industrial Conference.

## APPENDIX 72

### Draft rules under the Industrial Statistics Act

*Letter No. 3077, dated 13th November 1945, from Chamber to Department of Industries and Civil Supplies, Govt. of India.*

The Government of Bombay forwarded to my Committee a copy of the Draft Notification which was proposed to be issued in exercise of the powers conferred by Section 12 of the Industrial Statistics Act containing the Rules and the Forms under the Act, and invited their views on the same before the 15th of October. As their requirements of additional copies of the Notification were met only on the 11th of October, it was pointed out that the time allowed for the reply was insufficient. The Provincial Government in a further communication expressed their inability to extend the time, but at the same time suggested that my Committee might forward their comments direct to the Government of India. Accordingly I am sending to you herewith the views of my Committee on the draft Rules and Forms annexed to the Notification under reference.

My Committee would in this connection invite a reference to their letter No. 865 dated 27th March 1945. They had therein pointed out that the main purpose underlying the Industrial Statistics Act would be served by Government collecting information of a general character covering production, cost of materials, cost of labour, etc. and that there was no justification for requiring industrial undertakings to furnish information in a more detailed form or in regard to aspects which might be deemed by them as in the nature of secrets connected with their manufacturing activities. My Committee re-iterate the above views and they still feel that Government should at this stage only call for general information on the lines indicated in the note submitted to the Eleventh Industrial Conference.

My Committee would particularly stress that a legislation of this nature should be administered in a manner which would not lead to hardship to the industrial concerns in submitting their returns required under the Act. The administration should take into account the practical difficulties of each trade in respect of certain industries in which it is not possible to supply all the details called for under the proposed form circulated by your good self.

My Committee would, therefore, strongly urge upon you the necessity of consulting each group of industries with a view to find out what their peculiar difficulties are in supplying the information called for by Government and to adopt the form for each such group of industries, taking into account their individual difficulties in consultation with their representatives.

The Rules and the Forms should be in their main features uniform for the whole of India and the necessary co-ordination between the different provinces should be achieved.

Where one corporation or undertaking has factories spread over in more than one province, the returns should be required to be filed only with the Provincial Authorities of the Province in which the registered office of the company is situated. If such an undertaking is obliged to furnish separate returns for each factory to the different Provincial Governments, considerable practical difficulties will be experienced in conforming to that requirement.

In the case of a factory manufacturing more than one line of articles or goods, there is no need to furnish separate returns in respect of each such article or group of articles. A composite return should be deemed to serve the requirements of the Act.

There should be no rigidity regarding the statutory date, with reference to which the returns are to be made out. In the case of factories, which for their own accounting purposes have accounting years different from the official or fiscal year, the information should be required to be furnished only with reference to their previous accounting period.

My Committee hope that Government will be pleased to consider the above suggestions and make necessary changes in the Rules and the Forms.

*Letter No.* 4-S (5) |45, *dated 29th November* 1945, *from Department of Industries and Civil Supplies to Chamber.*

With reference to your letter No. 3077 dated the 13th November 1945, I am directed to reply as follows to the various points raised by you :—

1. The object with which rules and forms have been framed relating to matters connected with clause (*a*) of sub-sec-

tion 1 of section 3 of the Industrial Statistics Act, 1942, is to hold a census of manufacturing industries in India. For this purpose information under the broad heads of the type mentioned in your letter No. 865 dated the 27th March 1945 is not suitable. If the information collected is to be put to any practical use, it should be collected in more detail. Census of industries is held in other countries which are industrially advanced like the United Kingdom, the United States of America and Canada. In all cases information is asked for in far greater detail than that suggested by you. This Department has, however, kept the form as simple as it was possible to do without defeating the object with which it was devised.

2. This Department has already consulted representatives of industry in all such cases in which it was possible to do so, and has taken into account the suggestions made by them in finalising the rules and forms. It was in pursuance of this procedure that Mr. H. M. Patel had discussions with your Chamber and other Chambers of Commerce at Bombay. In Calcutta also discussions were held with various organized bodies of industry.

3. Rules and forms will be uniform throughout British India. As was explained to the representatives of your Chamber at the discussions which Mr. H. M. Patel had at Bombay, the rules and forms are being notified by the Provincial Governments under the directions of the Central Government.

4. Under the scheme of the Industrial Statistics Act, 1942, it is not possible to treat all the factories owned by one firm as one unit for the submission of returns under the Industrial Statistics Act, 1942. The unit recognized under the Act for the purpose of submission of statistical information is a 'factory'. It is, therefore, regretted that it is not possible to allow a firm which has a number of factories to furnish one combined return. Provision has, however, been made in the form to facilitate the submission of returns in cases in which one firm owns a number of factories.

5. A factory manufacturing more than one article will not be required to submit more than one return. It will, however, be required to specify all its products in the return which it submits.

6. With regard to the question of the period which should be covered by the return, it would be evident that if collated information is to be prepared even for a single industry, the return should cover the same period for all factories. Whatever period is adopted, it would coincide with the accounting year of only some factories. In view of this, the Government of India feel that there is no alternative but to adopt the calendar year as the period for which the return should be submitted. In the case of sugar industry, however, in deference to the wishes of the industry as a whole this Department has agreed that the annual period for all sugar factories will be July-June.

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## APPENDIX 73

### Definitions of "Workmen" in the Labour Laws

*Letter No.* FI|7016, *dated 12th June* 1945, *from Commissioner of Labour, Bombay to Chamber.*

The definitions of "workmen" (or the synonyms of the term) vary in the various labour laws. The different definitions have been adapted with particular reference to the aims and objects of the legislation in question. A statement giving certain particulars about these definitions in the important Central Acts bearing on labour is attached.* The question of having, as far as possible, a uniform definition of this term is under the consideration of Government and I should be glad to have your views and suggestions, if any, as early as possible, and in any case not later than 26th June, 1945.

*Letter No.* 1877, *dated 20th July* 1945, *from Chamber to Commissioner of Labour, Govt. of Bombay.*

I am directed to refer to your communication dated 12th June 1945 enclosing therewith a statement showing certain features of the definition of "workmen" in the various Central Labour Acts and desiring the views of my Committee regarding the advisability

* Not printed.

of a uniform definition of the term "workmen" which Government have under consideration.

My Committee have examined the various definitions as embodied in the various Labour Acts in the light of the requirement of Government for a definition common to all the various definitions as existing at present. A closer analysis of the various definitions reveals that the different definitions in the various Acts were designed with particular reference to the main purpose and scope of the various Labour Acts. It will be observed that the definition of "workmen" in the Workmen's Compensation Act was framed specifically with a view to cover all those who should receive compensation; the definition of "worker" in the Factories Act was framed presumably for the purpose of regulating the hours of work, weekly day of rest, etc. To illustrate the point further, your attention may be drawn to the definition of the term in the Indian Trade Unions Act, 1926 for the purpose of which "workmen" is merely defined as all persons employed in trade or industry whether or not in the employment of the employer with whom the trade dispute arises. My Committee presume that the scope and extent of the different definitions as given in the various Acts have been defined having in view a particular objective. In short, the various categories of "workmen" in the different definitions were required to be differently protected according to conditions prevailing in the different fields in which the workmen operated. My Committee feel that in view of the above, the Government proposal for a common definition of "workmen" is neither practical nor feasible. Theoretically a definition may be framed embodying all the aspects contained in the various definitions now existing, but that could not be the object of Government in framing a common definition, as the aim and object of a definition should be to cover the specific type of "workmen" related to a particular Legislation. Besides, any attempt to devise a common definition would complicate the operation of individual Acts.

If, notwithstanding this inherent difficulty, Government consider it desirable to introduce a uniform definition, it would be more appropriate for them to draft a text of the same and circulate it for consideration by the public and elicit their opinion on the same. It is hoped that the above suggestions will be given due

consideration ; if Government send their own draft of such a composite definition, my Committee will be pleased to examine the matter further and express their views on the same.

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## APPENDIX 74

### Indian Rice Committee Bill

*Letter No.* 583, *dated 24th Feb.* 1945, *from Chamber to Reconstruction Department, Bombay.*

I am directed to acknowledge receipt of your letter ref. No. 10475|39-A(2) dated the 30th December 1944 enclosing therewith a copy of the above Bill introduced in the Central Legislative Assembly and desiring the views of my Committee thereon.

My Committee are in entire agreement with the objects of the Government as disclosed in the said Bill, namely to put Rice research, development and the technology thereof on a more permanent basis than that exists at present. My Committee, in the past, have drawn the attention of the Government to the very low yields prevailing in rice as well as in other foodgrains as compared to yields in more developed countries in the East and the West. The land in India is in no way inferior to the land in Japan and the Western countries, but it is a matter of the deepest regret that the yield per acre in India of all foodgrains is one of the lowest in the world. There is a great scope, therefore, by means of improved methods of cultivation, manuring, proper use of agricultural implements and better irrigation to increase the yield to more than double the present yield. On the above basis, my Committee would accord their full support to any scheme devised by the Government for the agricultural uplift of the country by introducing better methods of cultivation.

The present research carried out by the Rice Committee of the Imperial Council of Agricultural Research is far from satisfactory. There are a number of research stations maintained by this Committee, but there is neither co-ordination of effort nor has the Imperial Council made efforts to put Rice Research on a sound and proper basis. The results obtained in many of the farms are unsatisfactory and uncoordinated. The improved seed supplied by the agency of the Council is also poor and does not meet the requirements of the country.

The importance of this question has been recognized in the past and my Committee are glad to find that even at this stage the Government has taken up the question of improving agriculture in this country, although it must be mentioned here that the country has paid a big price by way of famines, both in human suffering and death due to lack of foresight on the part of the Government. India is predominantly an agricultural country and the imports from overseas did not constitute more than 2½ to 3 per cent of the total foodgrain needs of the country. It is a matter of deep regret that the Government failed to take steps to improve the yield and by other means increase production sufficiently to meet the needs of the country during the last five years of war.

As stated above, although my Committee are in agreement with the objects of the Rice Bill, they feel that the cess not exceeding 6 as. per ton will constitute a heavy burden on the consuming public and moreover will act as a brake on the rice milling industry of the country. As you are aware the amount of rice milled in power mills is not even 50 per cent of the total paddy produced in this country, and therefore any kind of cess on the industry would prove a burden which would prevent the growth of the milling industry in the country. As Government is aware, finance for the Imperial Council of Agricultural Research is obtained in part by the export cess of foodgrains and in part from the general revenues of the country. It is therefore felt that the method of finance proposed in the Bill is objectionable. The objects of the proposed Committee demand that general revenues of the country must accept the responsibility for meeting their expenses or at least a good part of the costs that will be incurred by the Committee.

My Committee, however, feel that in view of the great importance of the need of research and improvement in the methods of cultivation they would not like to oppose a cess on rice if it is felt that sufficient money will not be available to this Committee from the sources suggested above, and to that extent would not oppose a cess not exceeding 4 as. per ton of rice. My Committee, however, feel that the expenses should more appropriately be met from the sources mentioned above and the general revenues of the country must bear their due share of expenses for the very important objects contemplated in the Bill.

With the above objects in view, my Committee would like to offer their following views on the various clauses of the Bill.

**Clause 4—Constitution of the Indian Rice Committee:**

My Committee is constrained to remark that the constitution of the Committee as proposed in the said Bill is preponderatingly in favour of the officials. In this connection, my Committee are of the opinion that the objects underlying the Bill will not be served by such a Committee of members nominated by the Governments concerned and would like to state here that it is absolutely essential that the representative commercial and trade interests must be adequately represented on such an important Committee, if the objects underlying the Bill are to be realised. The Committee must be constituted of men who are in the industry and adequately represent the agricultural interests so that they may guide the Committee to utilize the funds properly and to the benefit of the country.

With the above object in view, my Committee must state here that the Associated Chambers of Commerce have no interest in the milling of rice in India and even as far as the export trade of rice from India is concerned, the interests represented by the Associated Chambers of Commerce are negligible. My Committee, therefore, fail to see why one seat on the Rice Committee is reserved for this body when the Federation of Indian Chambers of Commerce and Industry is the proper body to represent the commercial community on this body. My Committee would, therefore, press upon the Government the necessity of giving better representation on the Committee to the Federation and that both the seats should be reserved for the Federation of Indian Chambers of Commerce and Industry as the body representing commercial opinion of this country.

My Committee would further suggest that four seats on the Committee should be reserved for the Central Legislative Assembly to be nominated by the elected members of the Legislature on this Committee. This is very necessary in view of the important objects that the Committee will have to fulfil and the amount of money that will be available for expenditure on its objects.

With regard to the proposal of nominating the agricultural and the milling interests by the Central Government and Provin-

cial Governments concerned, my Committee must record its strong disapproval of giving its representation to the Provincial and Central Governments and would recommend that the milling interests should be represented by the important rice associations existing in Bombay, Calcutta and other places in the country and by the milling industry itself. In this connection, my Committee would point out that there are a number of important associations in this country which are concerned with the rice trade and it is but right that these associations would be the proper bodies to select representatives on this Committee.

With regard to the agricultural interests, my Committee would observe that the Provincial Legislatures adequately represent the agricultural interests and that the representatives on the Committee for the agricultural interests should be nominated by such Provincial Legislatures. This would, my Committee feel, give that strength to the Committee which is so essential in carrying out its important objects with the co-operation not only of the industry but agricultural community also. Without this co-operation, my Committee feel that the work of the Central Rice Committee cannot be successfully carried out.

**Clause 7 :**

Here my Committee is strongly of the opinion that the Chairman of the Imperial Council of Agricultural Research should not ipso facto be the President of the Rice Committee. The President should be a non-official elected by the members of the Committee itself.

**Clause 12 :**

This clause, it is felt, is unnecessarily harsh and would lead to serious injustice to the industry, for the assessment of the Collectors under the proposed Act cannot be questioned in a court of law. It is the in-born right of every person to appeal to a court of law to get redress of his grievance and this must be allowed if the parties concerned feel that injustice has been done to them.

**Clause 13 :**

The power of inspection should be exercised subject to previous notice. The inspecting staff should not be entitled to have any access to any secret processes employed in any mill.

**Clause 17:**

The powers to make Rules, it is felt, should be retained in the Committee which as suggested above will be a powerful and representative body and will be capable of framing rules and regulations for procedure. Therefore it is felt that it would be proper to leave this power with the Committee in consultation with the trade interests and the commercial opinion of the country.

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## APPENDIX 75

### Imposition of Sales Tax in the Bombay Presidency

*Letter No.* 1274, *dated* 15*th May* 1945, *from Chamber to Finance Department, Govt. of India.*

The Committee of my Chamber had addressed a communication to the Government of Bombay on the 18th December 1945, conveying their views on the proposal to levy a Sales Tax in Bombay. They were subsequently furnished with a copy of the speech of the then Adviser (Home) at the Press conference held on 7th March 1946, announcing Government's intention to enforce the Tax. Their attention has also been drawn to the recent Notification announcing that the Act would come into force from the 1st of October next. They have also examined the Draft Rules published on 8th March, 1946.

My Committee have recently reviewed the position in the light of the above developments and they desire me to address Government once again in the matter, re-iterating their view that the levy of a Sales Tax in the Province at this stage is not justified for the following grounds and reasons.

Normally, new or additional taxes are justified only on grounds of revenue exigencies of the Government. It is an accepted principle that fresh or additional taxation shall be levied only to the extent necessary to meet the gap between revenue and expenditure. A review of the existing position of the finances of the Government of Bombay, however, does not indicate the need for additional sources of revenue at this juncture. The provincial revenues had risen from about Rs. 13 crores in 1939-40 to roughly Rs. 32½ crores in 1945-46. The corresponding figures of expenditure

were Rs. 12½ crores in 1939-40 and Rs. 26 crores, exclusive of transfers to Special Funds, in 1945-46. A Post-War Reconstruction Fund had been built up by transfers from current revenues and at the end of 1945-46 a sum of Rs. 11 crores was available in that Fund. The Special Development Fund had also gone up from Rs. 60 lakhs in 1939-40 to Rs. 3½ crores in 1945-46. There is over Rs. 4 crores in the Debt Redemption and Avoidance Fund. From the foregoing statement of the existing budgetary position of the Provincial Government, it is obvious that there is no pressing need for any additional revenues at this stage and that, therefore, Government cannot reasonably justify the new Tax as a measure necessitated by the financial exigencies of the Province.

In this connection, my Committee would also like to refer to an item of additional revenue of a recurring nature which is in sight. The Central Government this year revised substantially the basic rates of Income-tax and Super-tax to the extent, more or less, of amalgamating the existing surcharges with the basic rates. As far as the Provinces are concerned, this will afford a welcome relief in that the distributable part of the Income-tax revenue will, to that extent, increase. The Central Government had estimated that in the next financial year the Provinces would be getting from this source, another Rs. 12½ crores. Possibly this source may be expected to expand. Bombay can reasonably expect to benefit substantially from this resulting change in the basis of distribution.

Moreover, my Committee wish to urge upon the Provincial Government that the present time is not opportune for introducing any major item of new taxation. The Central Government have announced their intention to appoint a Taxation Enquiry Committee. That Committee is expected to examine and report on the present tax structure and taxation incidence with special reference to their effects on trade and industry, employment, standard of living, savings, and capital formation. The scope of the Enquiry will also cover the whole field of taxation, viz. Central, Provincial and Local. A far-reaching change of the character under discussion in the incidence of taxation in this Province by the addition of a new major tax should be considered only in the light of the results disclosed by the above expert scrutiny.

It is relevant to point out that during the war, direct and indirect taxes have been increased in various directions. In the Pro-

vincial sphere also certain increases were effected. With the restoration of peace, the taxpayers would naturally expect some measure of relief; and if, instead the Provincial Government at this stage decide to embark on any proposal involving an additional levy, the same will result in a general feeling of disappointment and discontent.

It will also not be out of place to point out that there is at present a high price inflation; the cost of all commodities is very high and the cost of living has gone up consequently. A tax of this nature will ultimately be a tax on consumption, as, at one stage or the other, the tax will be passed on to the consumer. The addition of a burden when prices are relatively very high will be found to press more heavily, at the present stage, and my Committee feel that a proposal of this character should be examined only after more normal conditions are restored.

My Committee would further like to stress that a general Sales Tax is not a desirable form of taxation. Such a measure will involve complicated provisions for maintenance of accounts, submission of returns, etc., resulting in an increase in the over-head charges of the trading community, which will ultimately add to the cost factor. There is also scope for administrative harassment.

The new tax has been sought to be justified on the need for augmenting Provincial revenues in order to meet the expenditure, recurring and non-recurring, on Post-War Reconstruction. The Government of Bombay have already built up a nucleus of a Fund for the purpose. The scope of the Post-war Reconstruction plan for the Province, the manner and method of financing it, the extent to which such financing is to be undertaken by borrowing or otherwise, are all fundamental issues which will have to be deliberated and decided upon by the Provincial Legislature and expenditure on such plan must be based on the credit which the Legislature votes for the purpose. Government are, therefore, not justified in anticipating the revenue needs before the plan in its entirety has been scrutinised and accepted by the normal Legislative machinery.

My Committee wish to emphasise that this levy was decided upon by a governmental machinery not responsible to the people. If fresh or additional sources of taxation are proved to be essential in order to meet the budgetary needs of the Government, the form,

extent and nature of such additional revenues are all matters which must be first decided upon in the normal course after a full discussion by the Provincial Legislature. The people of the Province should not be presented with a *fait accompli*, just because the Government-in-power then, almost by an executive *fiat* decided upon to impose this burden of an additional taxation.

For the foregoing considerations, my Committee urge that the Government of Bombay, as at present constituted, should not go ahead and enforce the collection and recovery of this new tax.

If, notwithstanding these considerations, the Provincial Government are inclined to proceed with the matter, my Committee request that they should be afforded an opportunity of having the advantage of a personal discussion of the issues involved with the Finance Minister.

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## APPENDIX 76

### Compensation for Involuntary Unemployment.

*Letter No.* L.O.III|13255, *dated 13th December* 1944, *from Commissioner of Labour, Govt. of Bombay, to Chamber.*

At the Second Tripartite Conference there was general agreement that workers who have been temporarily thrown out of employment owing to shortage of coal and similar reasons should be given relief. The Government of India have accordingly forwarded the accompanying proposals and the Government of Bombay hopes that employers will give effect to these proposals. The Government of Bombay considers that where such stoppage has occurred and relief is not given a demand for relief would be a fit subject for adjudication. Prima facie notice of one month would satisfy the requirements of para. 1(c), and repeated closures for 7 days or less separated by short periods would be regarded as not in accordance with the intention of para. 2(b).

**1. Kinds of Unemployment Covered:**

(*a*) The proposals relate only to short term unemployment, during the period of the war, due to shortage of coal or raw materials or changes in lines of production of which adequate notice cannot be given.

(*b*) The proposals do not cover closures of factories or of departments due to special Government orders.

(*c*) The proposals do not cover closures of which adequate notice is given under standing orders, whether statutory or voluntary.

**2. Benefits to be given :**

(*a*) Benefit which should be on a scale lower than the ordinary rate of pay may be fixed in either of two ways :—

(i) 75% of the ordinary rate of pay for first fortnight of unemployment and 50% of the ordinary rate of pay for the second fortnight of unemployment with possibly a flat rate or benefit for persons drawing lower levels of incomes.

(ii) A flat rate which would be about 75% of the average of lower range of wage rates in the undertaking.

(*b*) Duration of benefit should be one month allowing for a waiting period of seven days (benefit however to start from the first day of unemployment provided the unemployment lasts longer than the waiting period).

(*c*) This special unemployment benefit will not qualify a worker for bonuses determined by reference to earnings over any period.

(*d*) The cost of benefits will be admitted as revenue expenditure for income-tax and E. P. T. purposes.

**3. Conditions attached to Benefit :**

(*a*) To qualify for benefit a worker must answer to a muster roll once a day at his usual place of employment or, with the permission of the employer, at any other place.

(*b*) A worker will be ineligible for benefit if he unreasonably refuses work even of a different sort in his usual factory or (provided employment offered is in the same locality) by transfer from one department to another in the same undertaking or industry or from one industry to another. In case of dispute whether an objection to transfer was reasonable or not an authority designated by the Provincial Government shall decide finally. For the trans-

fer of Labour from one industry to another use will be made of the Employment Exchanges in respect of skilled and semi-skilled personnel and in the unskilled labour Supply Committees in respect of unskilled labour.

(*c*) The employer will not be entitled to discharge during the benefit period any worker who has been in continuous employment with the same employer or in the same industry in that locality for a period of not less than three months.

**4. Benefit by whom given :**

The liability to pay benefit will be on the employer.

**5. Industries covered :**

All industries should be covered whether engaged on war industry or otherwise.

**6. Methods of Ensuring Payment of Benefit :**

A province (or State) should use its good offices or conciliatory powers to persuade employers to pay ; though in suitable cases disputes in this regard can be referred to adjudication under Defence of India Rules 81-A.

Where voluntary agreement between the employer and the workers has been reached or where the Provincial Government is satisfied as to the detailed measures of benefit necessary, the agreement or the details could be embodied in an order to be passed under Defence of India Rules 81-A(1)(b) after consultation in individual cases with the Central Government.

The State Governments will utilise the appropriate legal machinery available to them.

*Letter No.* 581, *dated 28th February* 1945, *from Chamber to Commissioner of Labour*

I am directed to acknowledge receipt of your letter of the 13th December 1944 and to send to you hereby the views of my Committee on the above subject as under :

While my Committee have no objection to the said proposals for the grant of compensation for involuntary unemployment due to shortage of coal, raw materials etc., they feel that the entire burden of compensation placed on the employers is unjustifiable.

It is felt that the employers are helpless victims of a set of circumstances over which they have no control. The Committee, therefore, suggest that Government must also share equally with the employers in the share of the cost of compensation. They have also to submit other changes in the proposals to which Government should give sympathetic consideration.

1. There should be a waiting period of 15 days and payment should thereafter be made for one month.

2. The rate of compensation should be at a rate less than the full rate of earnings (75% of basic earnings).

3. Labour should answer muster call twice a day.

4. Payment of compensation should extend to all industries and should not be restricted only to war industries.

5. The proposal should apply to all industries whether belonging to Government or private persons, and whether in Indian States or in British India.

6. The proposal should not cover cases where the closure is entirely due to an order of Government or directly due to some other action or inaction of Government.

7. Any payment made under the scheme must be accepted as adding to the cost of manufacture for the purpose of purchases on cost plus profit basis.

## APPENDIX 77

### Interview with the Hon. Sir Ardeshir Dalal, Member for Planning and Development, Govt. of India

*Speech delivered by Mr. M. A. Master, President, Indian Merchants' Chamber, on Thursday, the 26th April, 1945, while welcoming the Hon'ble Sir Ardeshir Dalal, Member for Planning and Development, Government of India, on the occasion of his second visit to the Chamber to meet the Members of the Committee of that Chamber.*

Sir Ardeshir,

On behalf of the Members of the Committee of the Indian Merchants' Chamber and myself, it gives me very great pleasure in welcoming you once again, in our midst today. It is really very kind of you to pay us a second visit within a period of six months. We are indeed very grateful to you for thus sparing your time for us and giving us an opportunity for a further exchange of views with you. Need we say how deeply we appreciate the honour that you have thus done to us and the consideration that you have shown to this Chamber ?

**India remains inactive when other countries take active steps for promoting industries even in the midst of war :**

2. Since you were good enough to meet us in October last, much water has passed beneath the bridge. The pronouncement made by His Excellency the Viceroy in December last at Calcutta, his statement that India has already got a National Government, his reference to the political and economic future of India, his conviction that India will be able to bear further strain and burdens of the war and " may have to play an even more important and perhaps even more onerous role in 1945 " indicate a policy which is bound to sacrifice the most vital interests of this country. While the United Nations have been taking vigorous steps for the reconversion of industry to peace-time footing and translating into action even in the midst of the war, their post-war schemes for the expansion of their industries and development of their markets for exports, is it not a cruel irony of fate, Sir, that the Government of India have not yet gone beyond the stage of investigations and

study for evolving a national plan ? While countries like Australia and Canada are, in carrying the burdens of the war, as remarked by the Australian Premier, "laying industrial foundations, opening up new resources, acquiring new skill and experience" and are thus meeting their war needs to provide in many ways for their "peace opportunity", the Finance Member, as the spokesman of the Government of India, has warned us in ominous language that "post-war development must mean and must continue to mean post-war development and by no magic or optimism can it be made to mean war time development". While Great Britain recently constituted two important Corporations with large capital and large borrowing powers for helping British industry and British commerce and while, with a view to give the desired momentum to their export trade, she has increased the guarantee for export trade facilities from 75 million pounds to 200 million pounds, the Government of India, as observed by the Finance Member, justify the delay in and the postponement of the settlement of the question of the repayment of our Sterling Balances on the ground that India is not ready with her own "development programme". While we can understand, Sir, you telling the Legislative Assembly that the Finance Member has no intention of throwing cold water on planning and development schemes you will, we are sure, not blame us if we cannot share the views of the Government that such a policy will not be "prejudicial to India's interests." While no steps have thus been taken to ensure the future industrialisation of the country, we cannot but view with serious anxiety the recent steps taken by the Government for the complete reorientation of their import policy. Let us not, Sir Ardeshir, be misunderstood. We are not against the import of such consumer goods as the country badly needs at present. What, however, is a matter of the keenest regret for us is that, while the Government are taking every possible step, rendering every possible assistance and securing every inch of shipping space for the import of all types of consumer goods, whether the quantity in which they may be imported will jeopardise the stability of the existing industries or create insuperable difficulties in the path of the establishment of new industries in the future or not, no hope is held out or no promise is given to the industrialists that all facilities and help in the nature of exchange and shipping space etc., would be given to them for the import of capital goods

from such countries as may be necessary. The situation that has thus developed and has been developing has been causing us serious concern and giving us great anxiety even with regard to the existing industries of the country, not to say anything about its future industrialisation. We, therefore, hope that you, as a friend of this Chamber and of industrial India, will bear with us, while we place before you, in a frank manner, some of the difficulties which oppress us and be pleased to give us such guidance and assistance as may enable all of us to achieve the common object, namely, to safeguard fully the existing industries of India and to establish rapidly new industries in the country, on national lines, under national ownership, under national control and under national management, on sound and permanent footing.

**Statement of the Government on their future Industrial Policy:**

3. Let us examine the difficulties which one has to face now in starting new industries in India. The very first question which confronts the industrialist is "Will he be allowed to run the industry as a private enterprise or will the State ultimately decide to run the same?" As I was dictating these lines, I read the Press summary of the Statement issued by the Government of India explaining their future industrial policy. Without studying the full text of that statement, it will be appreciated that it would be difficult to express considered and final opinion on the mere summary that has appeared in the press. We are, however, anxious, Sir Ardeshir, to take advantage of your presence this morning and place before you our own reactions on reading the summary especially on one aspect which is of paramount importance viz. the role of the State and the place of private enterprise in accelerating the process of industrialisation in the country, so that we might be able to know from you first hand as to what the Government actually have in view and what they propose to do in that connection.

**Not consulting the commercial community deplored:**

4. It is stated that the statement contains the provisional decisions of the Government of India at this stage and that they will consult the Provinces and the leading Indian States before coming to a final decision on the various vital matters referred to in the statement. You are fully aware, Sir Ardeshir, that the commercial community is vitally interested in any decisions which the

Government may arrive at in connection with their future industrial policy. We cannot but therefore deplore the fact that the Government of India have not thought it fit to consult the commercial community even in the framing of their provisional decisions and we feel that it will almost be a tragedy if the Government of India will persist in this attitude and refuse to take the commercial community into their confidence in this matter and give them ample opportunity to express their views, before they reach final decisions in regard to questions which are bound to vitally affect the industrial future of India. We are sure that with you, as the head of the Planning & Development Department, the Government of India will not be allowed to deprive the commercial community of this fundamental right, especially in matters which affect them vitally and permanently.

**How is Industrialisation to be protected :**

5. It is axiomatic that it is common ground between the Government and the people that there should be rapid industrialisation of the country to the fullest extent possible. The crucial question, however, is as to how this industrialisation is to be promoted and achieved. It is proposed by the Government that some twenty key industries should be brought under the control of the Central Government. Several of these industries are to be nationalised, provided adequate private capital is not forthcoming and it is regarded as essential in the national interests to promote them. It is difficult to understand why automobiles, iron and steel etc., are included in these industries, when the iron and steel has achieved efficiency and economy which have been recognised on all hands and when automobiles have got all the private capital that that industry needs.

**Parallel ownership of industries by the State and by private enterprise :**

6. Another principle which has been enunciated in regard to the nationalisation of industries is the parallel owning and running of certain industries of national importance both by the State as well as by the people, i.e. private enterprise. It is stated that shipbuilding and the manufacture of locomotives and boilers could be run both by the State as well as by private capitalists. It will be appreciated that private enterprise cannot claim to have the same

influence and the same financial resources as the State will possess. It will, therefore, be difficult for the private enterprise to maintain its own position in the running of the same industry as will be run by the State in competition with it. Moreover, it will be necessary to ascertain whether there will be real economic scope for the running of such industries side by side by the State and the private enterprise. Have the Government inquired whether several ship-building yards for building the ships both for the navy of supply and the navy of defence could be run as economic units in this country ?

**Running of industries as a source of Revenue :**

7. One further ground advanced in the statement in justification of the State running certain industries is the element of tax when it is more predominant than the profit element and when it is necessary and convenient for the State to run those industries. This, to our mind, is a fine paraphrase of the suggestion made by the Finance Member in his last Budget Speech that the State may own industries "as a source of additional revenue." We have always thought that it is on the ground of service in its larger sense that the State could claim to enter the field of industry, but we cannot be a party to the policy which the Government might adopt to enter that field merely for the purpose of swelling the revenue which they would collect from the people.

8. In view of the recent trend of economic thought in important industrial countries of the world, while it will be difficult for the industrialist to maintain his position as the advocate of unregulated capitalism, it is equally clear that the State cannot continue to maintain indefinitely the machinery of economic regimentation and controls which it has brought into operation during the period of the war. In this connection, the following observation of Mr. Churchill, namely,

> "If we are to recover from the merciless exactions of the war, it can only be by a large release from the necessary bonds and controls which war conditions have imposed upon us."

will be noted with interest. The principles which have been provisionally enunciated by the Government of India in regard to the role of the State in the future industrial development of this coun-

try are bound to impose an unnatural and undesirable restraint on the initiative of private enterprise to plan for its place in the future development of the industries in India.

**International opinion in favour of Private Enterprise :**

9. It is clear that the Government intend to interest themselves in the entire field of industrialisation and seem to favour a full-fledged policy of nationalisation in general of almost all the major industries. The position taken up by Government in the statement is also not in accordance with the policy as enunciated in the Second Report on Reconstruction Planning which broadly postulates that unless national interests required it, industries should at present be best left to competitive private enterprise. It was only on the broad grounds of public utility, public service or the inability of private enterprise to run a particular industry that the State was expected to enter the field of industrialisation as an active participant and justify its position therein. It is also not in consonance with the trend of thought obtaining in this matter in other countries and particularly in the United Kingdom. While the Government of India wants to plant the banner of State enterprise in the field of industry, Mr. Churchill, as the Prime Minister of England, has determined to continue to "fly the flag of free enterprise" at the head of the main mast of British Industries. It is not difficult to imagine what an unprecedented drive and momentum this dynamic lead of a dynamic personality must have given to the cause of private enterprise in Great Britain and it will be crystal clear to all concerned what a contrast this attitude will create between the position of the British Industrialist in England and the Indian industrialist in India.

10. Again at the International Business Conference, recently held at Rye, the spokesmen of the different countries assembled there, after giving full thought to the problem in all its aspects expressed themselves unequivocally in favour of private enterprise. If even industrially advanced countries are feeling that the social and national needs would be best sub-served by allowing the organisation, ownership and control of industries to continue to remain in the hands of private enterprise, there is greater reason why in India, which has yet a long lee-way to make up in the matter of industrialisation, the incentive and driving force of pri-

vate enterprise should not be removed, and a scheme of things under which all the important industries and units will be owned by the State forced on the country. You yourself, Sir Ardeshir, remarked at the recent meeting of the Policy Committee that "from my experience as an Industrialist, I am convinced that private initiative and enterprise have still a large part to play in the development of industries". The commercial community fully share your conviction and appeal to you to set the mischief right before it affects permanently the industrial future of India.

11. While we realise that as a matter of larger national policy, it would be necessary for the State to own Defence industries and certain public utility undertakings like Railways, it is not at all necessary to contemplate any programme of State ownership of and participation in basic industries of the type referred to in the Government statement. There is no reason to suppose that private capital would not be forthcoming for that purpose. On the other hand we are convinced that it is the duty of Government to create conditions favourable for the development of such industries under private aegis and by promise of assistance and support facilitate the free flow of private capital in those directions.

**Will nationals or non-nationals manage the industries owned by the State ?**

12. Another important issue which has been raised in the statement is the question regarding the management of the industries owned by the State. Two courses are suggested : the possibility of management through private agency for limited periods or operation through public corporations. The statement does not make it clear whether these private agencies or public corporations will consist entirely of the nationals of the country. It is pertinent to ask this question, because even in answer to a question, whether the Government would agree to transfer to the nationals of the country, and not to non-nationals, such industries as run by the State, when they are to be transferred to private enterprise, you, Sir, were pleased to remark that it might not be quite possible to take up that attitude inasmuch as it would constitute a policy of expropriation. May we be permitted to tell you, in all humility, that the commercial community cannot share your view in this matter ? They are of the considered opinion that industrialisation

of India can only mean development of industries owned, controlled and managed by the nationals of the country. We shall, however, thank you to kindly enlighten us as to what the real position and intentions of the Government in this matter are.

**Terms and conditions governing establishment of New Industries in future:**

13. Many other important points affecting the establishment as well as the working of the industries have been mentioned in the statement. For instance, it is proposed that private industrial enterprise will be encouraged by the guarantee of a minimum dividend on capital or an undertaking to meet revenue losses for a fixed number of years. It is also suggested that the State may take part in industrial undertakings either by subscribing a share of its capital or by making loans. It is not clear, however, from the summary as to under what conditions and for what industries the Government propose to give such assistance. Another vital condition which the Government propose to lay down is that neither the starting of new factories nor the expansion of existing ones will be allowed to be made without a licence. Here also the summary hardly makes it clear as to why the expansion of existing industries could only be made with the permission of the Government. These are matters of vital importance and the proposals set forth in the statement of the Government are fraught with serious implications and far-reaching consequences. It is essential that the Government should take the commercial community fully into their confidence as to why the Government have proposed these drastic changes. Whatever, however, the merits of the proposals may be, the commercial community are not prepared to allow the acquisition of such wide powers by the present irresponsible Government as will enable them to put these proposals into operation. Execution of such proposals, even if they are endorsed by the country, can be effectively made in the true interests of India only by a National Government responsible to the people. The statement adds that the arrangement visualised by the Government will have no long-range constitutional implications but will remain in operation so long as the present constitution lasts. On a careful review of the whole situation, we are convinced that it is in the interests of India that no action should

be taken now which could only remain in operation so long as the present constitution lasts.

**Government's Policy and attitude extremely disappointing :**

14. We take this opportunity of voicing our extreme disappointment and concern at Government's attitude on this fundamental issue. We hope that the lines indicated in the cammunique are not the final decisions regarding Government policy and that the matter will be reviewed in the light of public opinion expressed in the country. At any rate, it is singularly inopportune that such a statement of policy should have been outlined at a moment like the present when questions relating to the future constitutional changes in the country are understood to be under active discussion and negotiations. At all events, it is our opinion that if the doctrine of State-ownership of industries is to have a larger sway on Government's programme for the future, the process of industrialisation, instead of being accelerated, will, indeed, receive a serious set-back.

**Facilities for acquiring capital goods and equipment :**

15. May I now refer to a few other difficulties which lie in the path of the industrialist in this country ? Even if the industrialist is assured that he can run as private enterprise the industry which he wants to sponsor, he is not sure whether he will be allowed to locate it at the place where he wants it to operate. He cannot say with certainty that he will be able to or will be allowed to import at an early date and from the cheapest market, the machinery that he may need for the manufacture of the product that he has in view. He cannot count upon, with any degree of confidence, the release of the funds which he is compelled to invest in Government Bonds for the payment of the capital equipment which he needs for the starting of the industry he has in view. He will have to face the uncertainty of the period during which his machinery may be delivered to him. He will have consequently to be prepared on the one hand to lose the benefit of the falling prices and meet, on the other hand, the dangers of over-capitalisation of his assets. It is, Sir Ardeshir, unnatural, under these circumstances, that the response from the industrialist for the registration of orders for the capital goods that you require is not as great as you have expected ?

**Policy re. location of Industries and limitation of output :**

16. We do not know what the Government of India themselves think of the following categorical statement made by their own Economic Adviser in regard to the right of the State for determining the location of industries. His Report says :—

> " In a country like India, it will be extremely dangerous for the State to arrogate to itself the right to determine the location of individual undertakings. The successful conduct of industry from the business point of view is of primary importance, if India is to achieve the desired industrial progress."

While we can understand the contention that it is desirable in the larger interests of the country to have equal industrial development of its different parts and that such development may be considered necessary from the considerations of strategy, you will, we hope, agree with us that the final test which should govern these various requirements is and ought to be the efficient development of an industry as an economic unit able to withstand the external competition and develop strength and vitality for expansion out of its own financial resources. Indian industries will not develop as isolated units unconcerned with the development of similar industries in the other countries of the world. Undesirable interference with the industrialist in regard to his right to start industry where he considers it best, after weighing all the relevant circumstances, is bound to weaken his power for maintaining stability and impair his strength for facing competition from the international world. May we bring to your notice, in this connection, the introduction of a new feature in the running of an industry by restricting its development and output on the ground of preventing the creation of a monopoly without consulting public opinion and without giving any satisfactory explanation as to how such restrictions will not impair the running of the industry as an A-1 efficient and economic unit ? We refer to the recent Press Note explaining the position as to how the output of the existing cement factories will be restricted in the future. We shall be obliged if you will kindly let us know what considerations will govern the determination of the Government as to the location of industries in the future, and what principles will be applied by them for restricting the output or the expansion of the industries in years to come.

**Foreign Capital and Control in Indian Industries:**

17. Mr. Pranlal Devkaran Nanjee, as the President of the Chamber, remarked during the course of his speech last October, when you met the Committee of this Chamber :—

> "We have been recently advised that we shall have no alternative but to seek the co-operation of such foreign capital and such foreign control if India is really anxious to develop her new industries. We are told that without co-operation and control, India may not get the benefit of foreign technical skill, foreign technical research and foreign technical personnel. I wonder if a threat is not held out to us in the future that without such co-operation we shall not get the capital goods that we require for the starting of new industries and for developing the old ones that have already been established in the land."

In reply to this danger pointed out by my distinguished predecessor, you were good enough to inform the Committee that our fear was unfounded and added that it was open to industrialists, in this country, to start new industries and if these industries stood in need of capital goods, there would be no difficulties raised in our way. You are aware, Sir Ardeshir, of the recent developments in the United Kingdom. Our fears, as you will know, were and are not unfounded. Threats have been held out to us that unless we concede both participation and control in our industries, British suppliers might not sell us the capital goods and equipment that we require. We are sure that you will agree with us that no industrialists would place orders for the purchase of machinery under such conditions. It is, therefore, essential that the Government should give a categorical assurance that they will give all the assistance that the industrialists will require for the import of capital goods, purely as a business transaction without his being compelled to accept the condition that may be demanded by the suppliers or other Britishers for participation and control in the capital with which he may start the industry in this country. We shall feel deeply obliged to you if you will clarify this position beyond the shadow of doubt, so that industrialists can place orders for the purchase of machinery with confidence and can buy the same from the supplying countries in the same way in the future as they have done in the past. It is also necessary, in this connection, for the Government of India to assure the industrialist that proper

facilities for the necessary exchange for the purchase of machinery would be given to him and that the Government would not merely rest content by becoming only a bureau for the registration of the orders for capital goods, but that they would actively help and assist the industrialists in securing the necessary shipping space for the import of machinery at as early a date as possible. The form which the industrialist is asked to fill up in connection with the registration of orders requires him to disclose the name of the supplier with whom he is going to place his order. We do not know what the real object of the Government is in ascertaining this name in advance. It is likely to interfere with the ability of the purchaser of capital goods in this country to secure competitive prices from various sources and we, therefore, submit that in the initial stages it should meet the requirements of the Government if the name of the country from which the goods are to be ordered is mentioned in the application. Any further information that may be required in connection with the name of the suppliers may be obtained from the purchaser after the order has been definitely placed and has become binding on the suppliers from the exporting countries. We shall be glad if you will kindly let us know what you propose to do in this matter.

**Existing Policy of Taxing Industries prejudicial to Industrial Development:**

18. It has been mentioned on several occasions and from several platforms that the existing policy of taxing industries does not leave adequate resources even for its rehabilitation and re-equipment upto modern standards, not to say anything about its future expansion out of its own resources. It will be conceded that this is a question which requires immediate solution and cannot await decision till a final national plan is evolved. We were, therefore, very much disappointed to find that instead of making a generous response to the demand of the industry, the Finance Member should have stated in his budget speech that

> "Our scheme of war-time taxation has throughout been so devised as not to deplete, and on the contrary, to strengthen, the reserves at the disposal of industry for meeting the calls which will be made upon them in the post-war period."

We do not know whether you, Sir Ardeshir, share the views of the Finance Member. Permit us to point out to you that even if

an industry were to earn double the amount of the standard profits as extra profits during the war, it would leave very little reserves with that industry after it has paid the excess profits tax and the additional income-tax and corporation tax which has been levied during the war. It cannot be forgotten that several items of expenditure are unreasonably not allowed under the law as it stands at present and that in several cases the items are grossed which take away a fairly large sum of profits by way of taxation. In practice, therefore, a very small amount of reserve is left in the hands of the industrialists. The crucial question is : will these reserves be adequate enough to bridge the gap between the cost which the industry will incur for the rehabilitation and re-equipment of the assets and the amount of depreciation and the reserves which may remain in hand against the same ? In view of the tremendously heavy cost of machinery and assets which will have to be replaced, we cannot share the self-satisfaction of Sir Jeremy Raisman, when he said that

> " in this respect we may, without undue sacrifice of modesty, claim to have shown more foresight than we have been given credit for."

19. That is not the spirit in which Government in Great Britain have approached this vital question. They have promised consideration of this problem and in the case of at least one important industry, shipping, Lord Leathers has actually promised to receive a deputation of the industry to find out ways and means as to how the gap between the replacement cost on the one hand and depreciation and reserves on the other, could be bridged, in the larger interests of the industry. It is, Sir Ardeshir, unfair to ask that a similar sympathetic approach may be made by the Government of India towards this vital question on which depends the stability and growth of the existing industries now and in the future ? Without a radical change in the existing policy of taxation, we have not the slightest doubt that it will be difficult to stabilise the industries that may be started hereafter and to secure their economic working and normal expansion. May we, in this connection, invite your attention to the very important suggestion (which, we regret to say, does not meet with the case fully) made in the Second Part of the Plan of Economic Development for India ? The suggestion is this :

> "But in any such scheme of taxation, consistently with the development programme envisaged in the plan, it is necessary to emphasise that adequate remission should be granted in respect of the depreciation of the assets employed in production and that incomes ploughed back for increasing industrial or agricultural production should also be granted similar remission."

It will be obvious that if the replacement cost of an asset has risen 300 per cent of its original cost and if the rate of depreciation on the original cost is 5 per cent, the granting of merely 5 per cent depreciation in this case cannot be called adequate remission in respect of depreciation. It will have to be based on the replacement cost. In other words, if the original cost is a lakh of rupees and the replacement cost is four lakhs of rupees, it would be necessary to grant it a depreciation not of Rs. 5,000 but of Rs. 20,000. Without such an adjustment, it will be difficult for the industry to build up an adequate depreciation fund out of which its assets could be rehabilitated and brought up to the modern standard, when its normal life comes to an end. May we request you, Sir Ardeshir, to let us know what you propose to do in connection with a matter like this which vitally affects our industries at present and which is bound to militate against India's efficient industrialisation in the future ?

**Menace of "India Limiteds":**

20. Great as are the difficulties mentioned above with which an industrialist is confronted in this country, they pale into insignificance considering the way in which it has to struggle for its very existence against internal and external competition from foreign vested interests. The menace from India Limiteds could not and cannot be escaped. The tragedy it has enacted in the development of our industries cannot be ignored. It is significant that during the five years ending 1943|44, no less than 108 India Limited Companies were registered in India. The menace has increased. Speaking about "the influx in alarming numbers of foreign companies" into India, our distinguished industrialist, Mr. J. R. D. Tata, recently remarked :

> "Nascent industries under Indian control, with Indian capital and under Indian management had no protection against foreign established companies and would be beaten down in competition with such companies."

As rightly remarked by the Working Committee of the Congress "the establishment of these companies has the effect of robbing India of such advantages or benefits as are expected from the policy of discriminating protection which has been pursued by the Government of India for the development and growth of Indian industries". It was recognised even by the Government, as far back as 1916, that the development of Indian industries meant the running of industries owned, controlled and managed by the nationals of the country. It never meant that the foreigner should transfer his factories from abroad to India and should build up industries with his capital and under his control and thus monopolise the wealth of India for the benefit of foreigners which was really meant for the nationals of the country under the system of protection given to it. This fundamental condition of the development of Indian industries was expressed in the following wise and pregnant words by Mr. J. R. D. Tata in response to a question about national industries owned and controlled by Indians. He remarked :

> "Indian industry will, however, have to face competition not only from foreign countries but also from foreign owned or controlled industries entrenched in this country, under the shelter of protective tariffs. The growth of such foreign controlled interests is a serious threat to India's industrial progress and it is all the more necessary, therefore, that Indian enterprise should be given every possible encouragement to build up national industries in the true sense, and to retain in Indian hands, the control of the country's industrial economy."

It is, therefore, a matter to be deeply deplored that instead of assuring the Indian industrialist that the Government will take such active and effective steps as will remove the menace of India Limiteds which the Indian industrialist has to face, they plead their helplessness in the matter and refer to the provision of constitutional safeguards in the Government of India Act. Can a national plan for a rapid development of the industries of the country proceed effectively and in the national interests of India, under such humiliating conditions ? While we appreciate your contention, Sir, that India should not sit with folded hands till it gets a National Government but should carry on the evolution of a national plan for the post-war period, we are sure, you will agree with us, that such a plan cannot be executed in India's true inter-

ests in its essential aspects without the existence of a National Government at the Centre. As was emphasised by India's spokesman at the meeting of the Industries Policy Committee held in this city last October, the fundamental basis of future industrialisation is and should be that "the benefits of a national economic policy should be confined to really national concerns".

**Commercial Safeguards must go:**

21. How can such a national economic policy be promoted so long as India has no sovereign control over her Fiscal Policy and so long as the commercial safeguard clauses disfigure her Constitution? My friend, Mr. Subedar, therefore, deserves the warmest congratulations of the country for carrying, without a division, in the Assembly, his timely Resolution for the deletion of these clauses from the Statute Book. While he has thus won the first round in India's battle for economic independence, we are conscious of the keen fight which both Whitehall and British vested interests are likely to give us at every stage before we are able to reach the goal that we have in view. Even the European Group, which opposed this Resolution, so absolutely essential in the national interests of India, had to admit that British businesses in India had not the right to claim the "unconditional eligibility" to subsidies. What India wants, in this matter, was expressed by Mr. Bhulabhai Desai, the leader of the Opposition in the Assembly, in the following unmistakable language:

> "I claim the right and intend to claim the right, when I have the right to legislate unfettered, to legislate in the best interests of this country. When the interests of this country conflict with the interests of any country, including Britain, I am proud to say we will legislate against you. There is no need to beat about the bush. Indeed we must conserve the resources of this country in our own interest and when I and my countrymen have the right to legislate for themselves, I do not see why they should not."

Nothing else and nothing less than this right can or will satisfy India. Your recognition of the great difficulties of Indian industries in this matter and your very sympathetic approach towards this question encourages in us the hope that these inequitous clauses would soon disappear from the Statute Book of India. You are, however, of the opinion that it would be difficult to secure their deletion in the near future. You hold that

> " the solution must be sought not in a spirit of mutual antagonism and mistrust but of mutual co-operation and goodwill "

and have suggested that

> " it will be necessary to explore the possibility of arriving at some kind of an understanding which may remove the apprehensions of the Indian business community regarding the effect of the future operation of these safeguards on the post-war industrial development of India."

While we appreciate your desire and determination to help India in this matter of supreme importance, may we remind you of the so-called solution on the basis of mutual co-operation and goodwill ? If I were to refer to the instance of the shipping industry, with which I am familiar, I can tell you without any fear of contradiction that while the policy of mutual co-operation and goodwill has not enabled India even to carry a single ton of cargo or a single passenger in the overseas trade after the work of the last fifty years, all the promises which were given by the Government of India to assist Indian shipping, in case the solution of the question on the basis of co-operation and goodwill failed, have remained unredeemed even to this date. We would, therefore, beg of you, in the interests of this country, not to proceed on the lines of arriving at a temporary convention for the solution of this most complicated but vital question. Any half-hearted solution of this problem will do more harm than good to the interests of the country.

**Interests of India need Indian Capital & Indian Control for her industrialisation :**

22. Closely intertwined with the question of the deletion of commercial safeguard clauses is the question of the participation of British capital and its control in the industries that may be established in this country. You are fully aware of the recent trend of thought in the United Kingdom in this connection. A typical expression of opinion on this subject is the one, to which utterance was recently given by Prof. Hill, who is so much respected in the Government circles at Delhi. He remarked :

> " British industrialists are not philanthropists. There is on the one hand, a great deal of goodwill here and if for purely political reasons Indians refuse the co-operation that is available that will be their funeral. Certainly they would not get what they want elsewhere except on a sharing basis."

The spokesman of the British Federation of Industries made it also clear that the Federation was pledged to Indo-British industrial and economic co-operation and was ready to aid in India's industrial development. Sir Ardeshir, you are one of the seven illustrious authors of the Bombay Plan. The fundamental basis of the Plan is to increase the national wealth in the country and to so secure its distribution as will raise the dignity, self-respect and the standard of living of the poor man in the country. It is, therefore, essential that the wealth that may be created in the country should belong to its nationals and should not be allowed to be exploited and carried away by the foreigners who might even express their willingness to co-operate with us in a friendly manner. Even the participation in the capital and control in industries could not be allowed to become the conditions precedent for the obtaining of technical skill and capital goods. India would prefer to go without industrial development rather than allow the creation of new East India Companies in this country which would not only militate against her economic independence, but would also effectively prevent her from acquiring her political freedom. India could fully rely on her leaders who are being sent by the Government on an Industrial Mission to the U.K. and the U.S.A. to safeguard fully India's national interests in this connection. God forbid, but if the unexpected happens and the pass is sold, the industrialists with their new unholy alliance will be weaned away from their political friends from whom they have sought their strength and sustenance hitherto with the result that India would continue to remain a subject nation and her wealth will be shared only by the capitalists here and abroad. With your presence in England, we have not the slightest doubt, Sir Ardeshir, that you will do your utmost to prevent India from being inflicted with such a national calamity.

I am afraid, Sir Ardeshir, I have tired out your patience. You will, however, pardon me for having done so, since the subjects to which I have referred have been causing us very grave anxiety and have made us nervous about our political and industrial future. Before I request you, Sir Ardeshir, to enlighten us on the various points raised by me and give us the benefit of your guidance and advice in their solution which may enable the industrialists to proceed, with confidence, in the work that lies ahead for the indus-

trialisation of this country, let me on behalf of my Committee and myself wish you a *bon voyage*, excellent health and splendid success in the Mission which takes you to England !

*Speech by the Hon'ble Member for Planning & Development in reply to the address presented to him by Mr. M. A. Master, President, Indian Merchants' Chamber, at a meeting of the Committee of the Chamber on* 26-4-1945.

While thanking the Chamber for their cordial welcome, the Hon'ble Member expressed the hope that most of the points raised in Mr. Master's speech had been cleared up by the explanation of the Government's industrial policy as published in the Bombay papers of date. The misgivings created regarding that policy were due to the publication by the A.P.I. of a summary of the actual statement issued by Government. The policy was not to nationalise all the 20 industries mentioned in the Government's statement, but to take them out of the Provincial list and place them under Central control, without which Government felt planning and development of those industries, which were essential for the country as a whole, could not be carried out satisfactorily.

Referring to para. 2 of the address regarding India remaining inactive when other countries were taking active steps for promotion of industries even during the war, the Hon'ble Member said that the various questions of reconversion of industry to peacetime footing were engaging the anxious attention of Government. Government are considering all possible steps to avoid any serious shock to the economy of the country on the cessation of hostilities ; Government have also come to the conclusion that their own efforts alone would not fill the gap which will be created, and therefore considered it essential that private capital should be forthcoming in as large a measure as possible for industrial development. As a matter of fact, this was one of the objects with which Government's statement regarding their industrial policy had been issued. Government proposed encouraging private capital to go in for industrial development to as large an extent as possible. He referred to a speech delivered recently by Mr. G. L. Mehta in which Government had been accused of not clarifying their position in this matter. The general policy of Government has been laid down in order to help industrialists to make up their mind. Hereafter, Government were not going to stick to the policy of *laissez*

*faire*, and would take active interest in the development of industry in the country.

Referring to the Finance Member's statement in his last Budget speech that post-war development must mean and continue to mean post-war development and by no magic or optimism can it be made to mean war time development, the Hon'ble Member said that the interpretation placed on it was wrong. The Finance Member, as well as he himself, had made it quite clear after that speech that the above statement was meant to imply merely that during war-time Government could not launch any large-scale development expenditure, but they would certainly do so in the post-war period ; at the same time, funds would be available for planning and development work during the war-time ; also, if any scheme were ready, every effort would be made to put it through as far as finance was concerned.

With regard to the Chamber's reference in the same para. (para 2) to import of consumer goods, the Hon'ble Member explained that the object of the Hydari Mission was to deploy a certain amount of expenditure from the Defence purposes to civil requirements, as the civil economy of the country was strained to breaking point. He considered that the Mission had done good work, particularly in the matter of textiles. Government proposed to import consumer goods sufficient only to fill up the gap in the indigenous production. He suggested that if anything contrary to this policy were noticed, it should be brought to Government's notice who will be prepared to examine those cases. He added that nearly half of the goods proposed to be imported were raw materials necessary for production of finished articles in India.

**Para 3.** The Hon'ble Member explained what had already been stated in Government's statement on industrial policy and had been clarified in the later statement he had issued at Bombay, viz. that it was not the intention of Government to nationalise industries in the list in the sense of Government owning and managing them, although he knew that there was very great urge for nationalisation or socialisation of industry in the country. He considered that the opinion of the commercial community carried weight, but in matters of policy like the above, it is not such opinion alone which can prevail, as these questions were of inte-

rest to the country as a whole. He was doubtful whether, when it came to legislation, even the guarded policy which Government had now announced would be endorsed by the Legislature and there will not be much further pressure towards nationalisation and socialisation of the economy of the country. He said that there were very strong elements inside and outside the Legislatures which are strongly in favour of nationalisation, and he wanted the business community to take note of this fact.

**Para 5.** The question of nationalisation has already been dealt with in the first para. The misunderstanding created in this connection by the earlier A. P. I. summary has been cleared up by the later statement. The Government considered it essential that in order to have balanced development of industries in the country as a whole, to avoid concentration in any one particular area and to develop the backward areas, certain basic industries should be brought under one control, viz. Central. The Hon'ble Member again emphasized that the general impression that by centralisation of the industries mentioned in the Government's statement was meant nationalisation was wrong. If, however, private capital were not forthcoming for any important basic industry which Government considered essential in the interests of the country, then that industry or part of the industry would be started by Government. Illustrating this point, he referred to the iron and steel industry. He said supposing the iron and steel panel recommended a certain tonnage as target for which private capital was not forthcoming, the Government would provide the capital, put up the plant and run it themselves or through private agency or a public corporation.

**Para 6.** Regarding parallel ownership of industries by the State and private industrialists, the Hon'ble Member instanced, ship-building : this was very closely connected with the defence of the country, and it would obviously be the aim of the Government to have a navy of its own in due course and therefore be able to build cruisers and other ships in a shipyard of its own. But this did not mean that Government would enter into competition with private industry. It was, as a matter of fact, the intention of Government to assist private industry as much as possible. In reply to certain questions, the Hon'ble Member said that the whole thing depended upon the future shipping policy. If, the Government's desire to have adequate shipping at its disposal in the future

were fulfilled, then it was very likely that both private and Government yards would have enough work. He expressed the view that whatever may be the future position, it should be the policy of Government to see that private industry does not run as an uneconomic unit.

On the general question of controls, the Hon'ble Member said they were essential in the wider interests of the country. If controls were not considered necessary in U. S. A., it was because their industries were fully developed and in full operation.

**Para 15. Facilities for acquiring capital goods and equipment.** The press note had made it very clear that Government would help industrialists in this matter. Government was setting up organisations in the U. K. and the U. S. A. for affording these facilities. As explained in paras 8 and 9 of the Government's statement of their policy, there were other ways and means by which Government were prepared to assist industries. He commended the statement to the Chamber's careful perusal, particularly the abovementioned two paragraphs.

**Para 16. Question of location of industries.** The Hon'ble Member disagreed with the Chamber's contention that this was not necessary, and he was sure the rest of the country would support him in this. He was also certain that nobody in the Legislature, or outside it, would say that control of monopoly was not desirable, the concensus of opinion was in its favour. However, in deciding upon location, all economic factors, e.g. availability of raw materials, markets, would be taken into consideration. This had been made clear in Government's statement of policy. Government had come to the conclusion that this matter of location could not be left to the industrialists themselves. As an illustration, the Hon'ble Member referred to the vanaspati ghee industry. The industrialists considered it desirable from their point of view to expand the industry in the Delhi-U. P. area ; but Government could not agree with this in the wider interests of the country as a whole and had decided against expansion in the above area and sanctioned the setting up of plants in other areas.

Mr. Subedar enquired what machinery Government had to judge whether an industry would be economic or not. He referred to an application for capital issue of 50 lakhs for the manufacture

of raw films in this country, which had been turned down by the Finance Department.

The Hon'ble Member said that manufacture of raw film was a highly complicated and technical industry. The Government of India had set up a panel to go into the whole question. Till this panel submitted its report and till Government considered that report, it was not advisable to allow the manufacture. The said application had been turned down by the Finance Department in concurrence with the Planning and Development Department.

As regards the licensing authority, the Hon'ble Member said that it should be on the highest possible level. The members should be of the highest integrity in whom all people in the country, the Central Government, the Provincial Governments, the States, etc. would have confidence. The composition of such a body was not easy, but the matter was engaging the earnest attention of Government, and the provinces would be consulted.

With regard to the policy of protection, the Hon'ble Member said that the question had been under Government's consideration for some time. He had hoped Government would be able to issue a statement on this question, too, before he left for the U. K., but unfortunately some delay had occurred and this was not possible. It would, however, be done shortly. In the meantime, Government were setting up a machinery which will examine the question of protecting industries established during the war.

**Foreign capital and control of industry.** With regard to capital goods, the Hon'ble Member said that the purchase and sale of these goods rested entirely between the industrialists and the manufacturers. The question of control did not arise. It was for the two parties to decide upon the terms on which they would work to their mutual advantage. He felt certain that the manufacturers of machinery were not going to concern themselves with the produce of such machinery, and in their desire to secure a market for their own goods, they woud not insist upon control or participation in the businesses to be established for sale of the products of such machinery.

Regarding the policy of taxing industries, the Hon'ble Member said he had done his best to fulfil the assurance he gave to the Chamber in October last, and to some other Chambers also, but

Government's proposals on this point could not go through the Legislature. He, however, invited the Chamber's attention to the Government's statement on industrial policy which had been issued with the full concurrence of the Finance Department.

On the question of "India Limited" and commercial safeguards, he hoped the Chamber would not expect him to say anything at any great length, as it was a pending issue and no useful purpose could be served by any statement at that juncture. He expressed gratitude to the Chamber for their lucid statement on this point which he promised to bring to the notice of H. M. G.

Regarding threat from foreign cartels, etc. too, the Hon'ble Member said that it was a similar issue which was receiving consideration.

The Hon'ble Member also assured the Chamber that licensing and import of "balancing plant" would receive careful consideration.

Replying to a question, the Hon'ble Member said that jute, tea and some other industries had not been mentioned in the statement, not because of any discrimination but because the list in the statement was intended to relate mainly to capital goods manufacture only. Jute, tea, etc. did not fall in that category.

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## APPENDIX 78

**Statement on Industrial Policy and the questions of Foreign Capital and Participation in Indian Industrialization**

*Press Note, dated 1st May 1945 from Chamber.*

The Committee of the Indian Merchants' Chamber have issued the following statement on the question of foreign Capital and participation in Indian industrialisation :

"The Committee of the Indian Merchants' Chamber regret to observe that the Government have, in the statement on industrial policy which they recently issued, failed to deal with some of the vital questions of policy affecting the future industrialisation of India in national interests. Some of these glaring omissions will only further cloud and not clear up, as it is the object of the Government to do, "the uncertainty which appears at present to be impeding the plans of developing by private industry". For instance, the absence of any assurance that national industries will be protected against internal competition and external aggression from British and other foreign

vested interests and that industrialisation of India will mean development of industries by Indians and for Indians with Indian capital and Indian control and not their exploitation by British capital or British control will seriously restrict the initiative of Indian industrialists and will certainly discourage their spirit of enterprise to build up industries in the country. Rapid industrialisation in the country in India's true interests, which the Government say they want to promote, cannot take place without such assurances. After the acceptance of the Resolution for the deletion of Commercial safeguards by the Assembly, the Committee hoped that the Government would have assured the country that they would do their best to get them deleted. The Committee, however, are seriously concerned to find that the Hon'ble Member for Planning and Development is proceeding to London, not for securing the deletion of these clauses, but for getting them replaced for the present by a suitable convention. Such a convention, which is likely to carry the germs of a future trade treaty between India and Great Britain, can only be made by a free India on terms of equality with Britain. India cannot have any confidence in the ability of the present irresponsible Government of India, taking their instructions from Whitehall, to evolve a convention capable of effectively safeguarding the future interest of this country.

Although the Hon'ble Member for Planning & Development has recognised in his speech in the Assembly on Commercial Safeguards that it is a legitimate aspiration of Indian industry to control and direct its policy, the Committee feel anxious as to how he will be able to safeguard India's interests in face of the demand for the participation of British Capital and British control in Indian industries which has been made by important interests and individuals in Great Britain. Moreover, reports emanating from responsible sources are persistent that some of those industrialists whom Government have selected to proceed to the U.K. and the U.S.A. as Industrial Mission are not averse to such British participation and British Control. The Committee do not know how far such reports represent the considered views and opinions of those industrialists, but are constrained to add that even if they are partly correct, it will only aggravate the growing anxiety in the country for ensuring the political freedom and the economic prosperity of India of the future.

So long as India cannot recover her vast amount of Sterling balances exceeding Rs. 1,400 crores from the U.K., where attempts are already being made to evade or delay their repayment and to treat them not as 'ordinary commercial debts' it is preposterous that there should be any talk of either inviting or welcoming the participation of British capital in setting up industries in India. The Committee would like to ask whether Britain has with her the surplus capital to send to India or whether Britain seeks to control Indian industries out of India's own money. In any case entry of foreign capital into India in any shape or guise is dangerous. Moreover, for Britain to exploit her offer of paying her debt to India in goods and services for increasing her economic hold and political domination over India will not only be resented by this country, but will be sternly and firmly opposed by all concerned. No one will or can believe that Britishers and British capita-

lists have grown altruistic overnight and would lend their capital to Indian industrialists with or without control merely for India's good and that they would be completely innocent of the intention of tightening Britain's imperialistic hold over India by exercising political domination and creating economic subjection.

The Committee would like further to emphasise that the object of industrialisation is to increase the national wealth of the country and to so secure its distribution as will raise the dignity, self-respect and the standard of living of the poorest Indian. It is, therefore, obvious that the wealth that may thus be created should remain in the country and should belong to its people and should not be allowed to be exploited and carried away by the foreigners. Despite the imperative necessity of safeguarding the vital interests of India in not allowing the foreign capital and foreign control to entrench themselves in the industrial field, as indicated above, if the Indian big business will make an alliance with British big business for developing new industries in this country, the Committee are convinced that it would be nothing short of a national calamity. Moreover, such an alliance with its vast resources and political influence is likely to create such conditions of competition as would destroy many Indian businesses in Indian hands of moderate size and skill. The Committee cannot help stating that the commercial community will not and cannot put up with such an intolerable position. The Committee consider it sinisterly significant that while the Honourable the Member for Planning & Development will not be allowed to participate in the negotiations regarding the repayment of sterling balances, the ex-Finance Member will have an effective voice in the negotiations for the setting up of a convention in place of the existing commercial safeguards. The Committee cannot help saying that this attitude of the Government make them extremely suspect in all these matters and consider it, therefore, their duty to warn them that it is not national policy either to welcome or to invite foreign capital for development of Indian industries, and particularly so for the development of enterprises for which Indian capital is already engaged or earmarked or for which Indian capital may be available in future in large measure. The Committee would, therefore, earnestly appeal, in the larger national interests of this country both to the Honourable Member for Planning & Development as well as to those industrialists who are shortly proceeding to England, that India would prefer to go without industrial development rather than allow the creation of new East India Companies in this country which would not only jeopardise her economic independence, but would also effectively prevent her from acquiring her political freedom; and that they should, therefore, desist from any endeavours to join hands with foreign capital and foreign control in Indian industries, particularly when India has not got that national power and national influence of a free country governed by a National Government responsible to the people, which alone can enable her to safeguard the interests of her people in all those vital matters connected with the future industrialisation of the country.

## APPENDIX 79

### Controls instituted for purposes connected with the War

*Letter No.* 1417, *dated 9th June* 1945, *from Chamber to Department of Industries and Civil Supplies, New Delhi.*

Government found it necessary to institute a variety of controls for purposes connected with the war and for ensuring the supply and regulating the distribution of goods to the civil population. It is reasonable to assume that the reasons which may have justified the imposition of all these controls no longer exist; and that, at any rate, some of the controls could be substantially modified immediately, without in any way affecting the main purpose for which they were first instituted. My Committee have no doubt that Government must be giving their consideration to this aspect of the matter. They would like to be advised as to what steps Government are taking with a view to the abolition of the controls that are now not necessary in the light of the altered circumstances and for the relaxation of such of the measures which Government may consider it necessary to continue for some more time. My Committee would like to have an assurance from Government that this aspect is receiving their serious attention and that the controls will be abolished at a very early date.

The Committee would, in this connection, like to make particular mention of the control on use and consumption of paper imposed by the Paper Control (Economy) Order, 1944. It is reasonable to assume that with the change in the international situation the position in regard to securing supplies of paper from external sources would be more satisfactory. Similarly, the supply position in the country, from such reports as are available, seems also to be more comfortable. My Committee would like to know if the existing improved supply position and the improved prospects of securing an increase both in the internal production as also in the supplies from imported sources, would not justify an immediate reconsideration of the control on the use of paper; at any rate, they feel that a relaxation in the quotas now allowed should be quite possible and that Government should give this matter their early attention. They request an early reply from Government giving information about the supply position, present and prospective, as also about the possibilities of removing or relaxing the control on the use of paper.

*Letter No.* F26|GID,*dated 13th September* 1945, *from Govt. of India, Dept. of Industries and Civil Supplies to Chamber.*

"With reference to your letter No. 1417 dated the 9th June 1945 on the subject mentioned above, I am directed to say that the various matters raised therein are always under and will continue to receive the careful consideration of the Government of India.

You would have observed that some controls have already been relaxed to a certain extent and it is not the intention of the Government of India to retain any control any longer than it is considered necessary."

## APPENDIX 8o

### Post-war development of Non-ferrous Metal Industry

*Letter No.* F14|5(1), *dated 7th June* 1945, *from Department of Planning and Development to Chamber.*

I am directed to address you on the subject of the development of the Non-ferrous Metal Industries in the post-war period and to state that one of the Industrial Panels recently set up by the Government of India will consider the development of those industries. In order to prepare the ground for the recommendations of the Panel, the Government of India must have before them as complete a picture as possible of the Indian non-ferrous metal industries as they are today and of the position in which they are likely to find themselves in the near future. For this purpose a questionnaire has been drawn up, and I am to enclose a copy of it. It will be observed that the information asked for not only relates to facts and figures (most of which are unobtainable from existing statistical publications or official sources), but also invites your views as to the future development of the industry. The Government of India are anxious to secure the closest association of industry in their post-war industrial plans, and they look forward confidently to your co-operation in the work of this Industrial Panel.

2. It is realised that it may not be possible for you to provide replies on all the points in the desired form. In that event you are requested to furnish them in such form as may suit you, although it will be appreciated if you can adhere as closely as possible to the form of the questionnaire. Any information supplied by you will be treated as confidential if you so desire.

3. I am to request you that if possible your replies may be furnished within one month from the date of receipt of this letter.

### QUESTIONNAIRE

1. What Metals or alloys or semi-finished or finished materials made of non-ferrous metals are at present manufactured by your Company ?

2. Total production per annum of each of the principal products of your Company :

   (*a*) in the year 1937

   (*b*) during the war (1939-44)

   (*c*) in any other year which the industry considers typical

3. (*a*) Location of your factories

   (*b*) Is the industry localised in one or more regions, and, if so, are there any special reasons for this localisation

   (*c*) Are there any particular regions where the industry could be suitably localised, taking into account the availability of raw materials, proximity to markets, etc.

4. (*a*) What is the kind of power used by you
   (*b*) Do you generate it yourself or buy it
   (*c*) Average annual consumption of power before and during the war
   (*d*) Are the power and fuel resources of your factories adequate for any post-war extention that may be needed.

5. Raw materials (including fuel, refractories etc.)
   (*a*) quantities used per annum and particular localities in India from which they are obtained
   (*b*) amounts obtained from indigenous sources
   (*c*) amounts imported (please mention country of origin and the firms you buy from)
   (*d*) present facilities for the transportation of raw materials to your factories; are these adequate ?

6. Please describe briefly the technology of your manufacturing processes.

7. Plant and equipment now employed—
   (*a*) indigenously fabricated
   (*b*) imported (source of supply may be indicated)
   (*c*) additions and alterations to plant contemplated.

8. Expectations of post-war consumption, internal and external.

9. (*a*) How and where do you market your products ?
   (*b*) Is there a reasonably constant demand in the market for your products
   (*c*) The scope and extent of future developments you contemplate for your industry by way of increased production, variety of manufactured products, marketing etc.
   (*d*) Do you intend to enter or are you already in the export market. If so, to what extent ?

10. If your post-war development extends to metals other than those you now manufacture, please give a brief outline of the raw materials required, the location of plant, technology, capital requirements, and estimated production.

11. (*a*) What is the amount of capital of your company and how much more do you plan to spend on the immediate and future post-war developments.
   (*b*) What amount of foreign capital, if any, is now invested in your company
   (*c*) Are your future capital requirements likely to be met by public investment in India or do you propose to use foreign capital.

12. (*a*) Do you need any government protection. If so, indicate its nature and extent

(*b*) Do you get any government protection or assistance at present; if so, specify the same

(*c*) If the answer to (*b*) is in the affirmative, will you need protection after the war. If so, what kind of protection will be necessary ?

(*d*) Are you aware of any protection given by Governments in other countries to industries such as yours ? If so, please give details and references.

13. (*a*) Please state if there is now any and if so what government control on the production and marketing of your products

(*b*) Do you desire any government control of your industry after the war ?

14. Do you use any expert technical advisers from abroad and will you continue to need them in the post-war period ?

15. In case the future development of your industry depends on technical advice, patents and plant from foreign firms, how do you propose to obtain them ?

16. Are the raw materials or the finished products of industries similar to yours controlled by limited or world-wide cartels or associations outside India, and if so, are you a member of such an organization or contemplate being a member of such an organization ?

17. Would you welcome forming an association of Indian manufacturers using similar raw material or producing similar products as your own with a view to have planned production and marketing ?

18. Any other information for the guidance of the Panel will be appreciated.

### *Letter No. 2166, dated 24th August 1945, from Chamber to Department of Planning and Development.*

I am directed to refer to your letter No. F.14-5(I)|45 I.A. of the 7th June 1945 on the above subject and in reply to send to you hereby the views of my Committee on certain essential issues of broad policy concerning the development of non-ferrous metal industries in this country in the post-war period.

The questionnaire issued by Government is obviously addressed primarily to manufacturers directly interested in the non-ferrous metal industry in the country. My Committee, therefore, do not propose to go into the several issues raised in the questionnaire in detail; but would confine their observations to a statement of their views on issues of policy arising therefrom. As Government must, no doubt, have sent the questionnaire directly to all non-ferrous metal industrial undertakings in the country, they presume that the factual data required by Government would be forthcoming in the form of replies from the manufacturing undertakings themselves.

Before dealing with the question of developing the non-ferrous metal industry, they would like to make some observations in regard to the development of the non-ferrous metallurgical industry as such in India. This country has all along been dependent for all the essential metals like aluminium, brass, copper, tin, German Silver etc., on external sources of supply. The metallurgical industry (Smelting), with the exception of I.C.C. and the two Aluminium Corporations, is almost absent today in the country. The consequences of this precarious dependence on external supplies for the essential requirements of the country in regard to these metals was amply demonstrated during the last three or four years when an acute scarcity of metal supplies was experienced throughout the country. Apart from the day to day use in various spheres of these metals, their supply is also a factor of national importance. No country can afford to ignore the imperative necessity for giving proper attention to its defence requirements and to that end developing all industries of a key and strategic character. Viewed from this angle, therefore, the problem of devoting the necessary attention to the development of the metallurgical industry in the country can no longer be delayed, much less ignored. My Committee feel that Government should give this aspect of the matter their earnest consideration and arrange for the necessary surveys all over the country with a view to exploring the sources of ores in regard to the different metal requirements of the country. The Geological Department of the Government of India should be reorganised and expanded so as to enable it to cope up better with the task of systematic surveying and prospecting for metallic minerals in the country. While this should be done departmentally, the question of giving assistance to private parties interested in such mining activities should also receive active consideration. To encourage private initiative in this direction, Government should go into the terms and conditions governing mining concessions and standardise the same. It has often been pointed out to my Committee that the commercial and industrial community in the country were not inclined to interest themselves in mining enterprises because of lack of official encouragement. Mining centres naturally are removed far away from places of trade importance and as such, unless the State comes forward with a promise of active assistance and facilities in regard to the various difficulties likely to be encountered, much progress naturally cannot be expected, with regard to work of an exploratory character. In short, it is the considered feeling in industrial and commercial circles that India should have a metal mining industry of its own which would, in fullness of time, provide all the non-ferrous metal requirements of the land.

Coming to the question of the development of non-ferrous metal industries in India in the post-war period, it is common knowledge that in the opportunity presented by war time factors consequent upon the complete cessation of imports, local factories refining metal scrap have witnessed a good measure of expansion and been able to render good services to the community at a time when the country was hard pressed for its metal requirements. The activities of such refineries were mainly directed in tapping the scrap resources all over the country, collecting the same and

refining secondary metal out of such scrap and fabricating such finished products as were in urgent demand. Manufacturers interested in this type of work naturaly have either sunk large sums of money or arranged for additional capital expenditure in expanding their units. In view of the several assurances given by Government on different occasions, as to protection to this war-time basic industry both during the transition and the post-war period, the first problem, therefore, which should receive attention is the measures or steps necessary for enabling such refining and fabricating industries to consolidate their position in the post-war period. It is conceivable that foreign imports of finished metals will give rise to problems of a serious character for this indigenous enterprise. It is, therefore, natural that Indian industrialists interested in non-ferrous metal manufacture should express concern over the future of the industry in this country and request for a clear enunciation of Government's policy in regard to the nature and extent of the assistance which they may expect from the State in order to enable them to withstand foreign competition in the post-war period. As an immediate measure, the Government before issuing licences for imports on stock accounts to the several importing agencies representing foreign interests, must consult the Indian non-ferrous industrial and commercial interests, through their accredited representatives.

My Committee are forwarding a separate communication to the Government of India in the Commerce Department, dealing with the general question of the future tariff policy of the land. They have therein urged for a clear enunciation of Government's proposals in that direction. They have pleaded for the adoption of a full-fledged programme of protection for Indian industries. They have stressed the necessity for the establishment of a permanent Tariff Board charged with the task of examining the position of Indian industries vis-a-vis foreign competition and the initiation of necessary remedial measures from time to time which would correct the adverse effects, if any. These are problems of a long-range character and perhaps may take some time before the necessary proposals are given practical shape and put into actual application. In the meanwhile, my Committee emphasise that some interim measure for assisting industries established and developed during the war against the consequences of resumption of foreign competition in the postwar period is immediately called for and Government should give their attention to this aspect of the matter. Government should evolve, without undue formalities and protracted enquiries, a rough and ready machinery for immediate investigations into the difficulties of industries and afford them such interim measure of assistance as would enable them to withstand foreign competition and continue their manufacturing activities unimpaired. The non-ferrous metal manufacturing industry, my Committee are advised, is in immediate need of assistance which will give it the necessary measure of protection from foreign competition.

My Committee understand that the prices in India of basic metals used by non-ferrous metal industry viz. various categories of scraps such as brass scrap, lead scrap etc., are higher than those for the corresponding raw mate-

rials in the U.K. and U.S.A. They append a statement showing comparative prices obtaining here and in other countries from which finished metals may be expected to be imported and it will be observed that scrap prices here are one-and-a-half to three times higher than the corresponding prices in the other countries. The cost of production of finished metal here will naturally to that extent be higher and if urgent action is not taken with a view to equating the position, imported finished products will be selling at cheaper rates in the Indian market than the corresponding products of indigenous origin.

Supply of scrap metal to the refining industry in adequate quantities and at prices comparable to foreign prices of similar material, is very necessary with a view to assist the continuance of the manufacturing activities without interruption. The industry was collecting its scrap from all available sources within the country. The supply seems to have been almost exhausted and serious difficulties are experienced in arranging a regular flow of scrap for the day to day requirements of the refining factories. Government should assist the industry in regard to this matter, firstly by completely stopping all exports of scrap. They should also arrange for the collection of all scrap available in the country including those released by Government factories with a view to their use by the industry for being refined to secondary metal. The scrap so collected and graded must be distributed to refineries in proportion to their requirements at regular intervals. While this will enable the full utilisation of the scrap resources available here, this by itself will not cover the future requirements of the country. Secondly, facilities for regular importation of scrap metal will have to be given. Government should allow imports of scrap and ingot or billets duty-free and at all events they should remove all tariff inequalities as between imports of scrap which is the raw material for the industry and the corresponding finished goods. Unless a free flow of supplies of scrap to the Indian industry is ensured, by action in all these directions, the continuance of the day to day activities of the non-ferrous metal refining factories existing at present in the country will be seriously jeopardised.

Government should also give clear instructions to their Purchase Department to extend their usual purchase preference for Governmental purposes to products manufactured by the Indian industry both in regard to their requirements of metal and metal products. Commercial Departments of the Government like the Railways, for instance, are large consumers of metal products. Strict observance of the well accepted policy of preference to indigenous articles for governmental requirements should be insisted upon and any attempt to deviate from that policy on the excuse that the imported products are comparatively cheaper should be resisted with a firm hand.

My Committee request that Government will be pleased to give this matter their early attention and take all steps necessary to enable the non-ferrous metal industry in the country to consolidate its position and to develop on healthy lines so as to prevent India being again reduced to the precarious position of having to depend on imported supplies of metals for her essential and day to day requirements.

| | Import price (minimum) per Cwt. | Government controlled rate per Cwt. |
|---|---|---|
| Aluminium: | | |
| Ingots | Rs. 57 13 0 plus<br>Rs. 18 0 0 duty<br>Rs. 75 13 0 or<br>Rs. 60 0 0 plus<br>Rs. 18 0 0<br>Rs. 78 0 0 | Rs. 112 |
| Brass Rods | Rs. 54 4 0 plus<br>Rs. 16 8 0 duty<br>Rs. 70 12 0 | Rs. 65 (for ingots) + manufacturing cost. |
| Copper Wire | Rs. 43 10 0 plus<br>Rs. 13 0 0 duty<br>Rs. 56 10 0 | Rs. 75 for Electrolytic copper. |
| Brass Ingots | Rs. 45 8 0 plus<br>Rs. 13 8 0 duty<br>Rs. 59 0 0 | Rs. 65 |

| Names of materials | Prices in U. K. per Cwt. | Govt. controlled price in India | Remarks Comparison between Indian & U.K. Prices |
|---|---|---|---|
| | Rs. | Rs. | |
| 1. Copper Ingot ... | 41 14 0 | 75 0 0 | 1.7 times more |
| Scrap ... | 32 6 3 | ... | 2.3 times more |
| 2. Brass scrap ... | 22 4 0 | 65 0 0 | 2.8 times more |
| Ingot ... | 23 10 3 | ... | |
| 3. Lead scrap ... | 13 8 0 to 14 14 0 | 34 0 0 | 2.3 times more |
| Ingot ... | 16 14 0 | ... | 2 times more |
| 4. Zinc scrap ... | 13 8 0 to 14 14 0 | 27 5 7 | 1.9 times more |
| Ingot ... | 17 6 0 | ... | 1.6 times more |

## APPENDIX 81

### Assistance to the Shuttle Manufacturing Industry in India

*Letter No. 2470, dated 19th September 1945, from Chamber to Department of Planning and Development.*

I am directed by my Committee to refer to the letter dated the 4th instant, on the above subject, addressed to you by the Shuttle Manufacturers' Association, Bombay, a copy of which was forwarded to this Chamber, and to request Government to give their proper and sympathetic consideration to their case.

It is regretted that this infant industry is being allowed to die out, for want of the basic requirement, viz. cornel wood grown in America, which is used the world over in the manufacture of shuttles of satisfactory quality, and this in spite of the repeated cries of the industry for help from Government. This infant industry, whilst it survived under the automatic advantages created by the conditions of war, such as stoppage or reduction of foreign supplies of shuttles, has supported the war effort to no small degree. It has filled the gap between the needs for shuttles of the Indian textile industry, which was engaged on war production, and the quantity of this article imported under lease-lend arrangements. It cannot be denied, my Committee feel, that the industry has established its claim for assistance from Government in the post-war period. It will be unfair on the part of Government to allow the industry which stood them in good at a critical time to perish for want of the necessary material, viz. cornel wood.

My Committee feel sure that the Tariff Board recently constituted by Government to consider the question of protection to war-time industries will consider the case of the Shuttle industry also. They would, however, emphasise that Government must help the industry in the procurement of the essential raw material, viz. cornel wood, from U.S.A. My Committee would further request Government to remove the import duty on cornel wood or at least to substantially lower it from its present high level of 30% including surcharge, so as to enable the industry to thus substantially lower its cost of production and thus withstand competition from foreign supplies, the import duty whereon is only 10%. Government should also take early steps to help the industry, my Committee suggest, by giving the required facilities for the import of the necessary machinery from abroad.

At the same time, my Committee would urge upon the Government to continue experiments at the Forest Research Institute, Dehra Dun, in spite of their repeated failures in that direction, and discover a good substitute for cornel wood, so as to obviate the necessity of depending on foreign supplies, especially in an emergency like the recent war.

My Committee request Government to consider all the above points and take necessary and speedy action in the matter.

## APPENDIX 82

### Manufacture of Opium Alkaloids

*Letter No.* 1973, *dated 28th July* 1945, *from Chamber to Central Board of Revenue.*

I am directed to address you in regard to the supplies of Opium Alkaloids viz. Codeine, Morphine, Heroin etc. which are emergency drugs and also form essential ingredients in the manufacture of several important medicinal preparations. My Committee have received urgent representations from pharmaceutical interests concerned regarding the serious position in which they have been placed consequent upon the extreme scarcity of supplies of Opium Alkaloids. As you are aware, this Chamber, as early as 1940, had represented to Government the difficulties of the pharmaceutical industry in securing the supplies of Alkaloids. Before the war, a certain amount of Alkaloids was being supplied by the Government factory at Ghazipur, while the rest of the requirements of the country was secured through importation. But during the war years, the import of the chemical was not possible and the pharmaceutical industry, as a result, had to depend upon the Ghazipur factory for whatever meagre supply it could give. A demand was made by the interests concerned for allowing private enterprise to take up the manufacture of the Alkaloids which Government refused on the plea that control for the manufacture of Opium were necessary under the provisions of the International Conventions such as the Geneva Opium Convention, 1925, and Drugs Limitation Convention, 1931.

Under such a plea they maintain that only Government should take up and continue the manufacture of Alkaloids which was obviously not justified under the relevant provisions of the International Conventions. The provisions only prescribe certain measures of control to be exercised over the private manufacture of Alkaloids and cannot be interpreted as meaning that the manufacture of such Alkaloids was prohibited to private firms and that Government only was the agency to manufacture the chemical. As a matter of fact, England and U.S.A. permit private manufacture of Alkaloids. The other plea of Government that it was difficult to control such private manufactures is obviously not tenable. During war time Government have instituted several controls and they are being successfully operated in co-operation with those who come under such control restrictions. The private firms willing to undertake such manufactures would be willing to abide by Government regulations and any other controls that Government may desire to be carried out in the successful manufacture and distribution of the same. My Committee wish to emphasise that the attitude of Government towards this question leads to the belief that they want to preserve the monopoly of such manufacture for themselves which ultimately would also mean, in view of the deplorably insufficient productive capacity of the Ghazipur plant, that the supplies of Alkaloids should continue to be the preserve of foreign manufacturers who, my Committee presume, are allowed to import the same. The question naturally arises why should private manufactured Alkaloids

be allowed to be imported if Indian manufacturers are debarred from preparing these preparations in the country. The position requires to be reconsidered by Government in an impartial frame of mind and if this question requires to be referred to His Majesty's Government, they should do so with a view to enable the country to become self-sufficient in the manufacture of Alkaloids. My Committee would go so far to say that the Government factory at Ghazipur should discontinue the manufacture of Alkaloids and the work should be distributed between two or three reputable manufacturers in whom Government may have confidence. It will be up to Government to apply their mind seriously to this question and see that the country becomes self-sufficient with regard to the manufacture of the basic Alkaloids as these form important ingredients in the manufacture of several preparations which are required from day to day by the public. In substantiation of the above view of my Committee on this question, they would like to bring to your notice that one factory was actually manufacturing this drug in the Baroda State; but this factory was asked to discontinue the manufacture at the instance of Government. Whatever reasons may have impelled the authorities to ban the manufacture in the State, the fact remains that the factory concerned was able to put their product at a very much reduced price in comparison to the rates charged by the Government factory. My Committee would not like to go into the pros and cons of the manufacture, but would like to make an urgent request to Government that they should reconsider this whole question and allow private manufacture of this drug under whatever controls and restrictions they might allow the same. The extreme scarcity of the drug is making the position of the pharmaceutical industry very difficult and it is of primary importance that Government should, without delay, move in the matter and come to a decision as early as possible.

*Letter No.* CNo.190|EO, dated *20th August* 1945, *from Central Board of Revenue to Chamber.*

Reference your letter No. 1973, dated the 28th July, 1945.

2. The Government of India cannot agree to the manufacture of opium alkaloids by private agencies in British India.

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## APPENDIX 83

### Supply of Opium Alkaloids in Post-war Years

I am directed to enclose a copy of the Board's letter of even number dated the 11th December, 1945 on the above subject addressed to some of the constituent members of your Federation Chamber. The Board will be glad if you will kindly furnish it with your considered views in the matter after consulting the said Associations if necessary.

*Letter No.* C No.149, *dated 11th December* 1945, *from Central Board of Revenue to Chamber.*

I am directed to refer to you in connection with the above subject and to say that the Government of India have now under consideration the policy which should be adopted by them in connection with the manufacture of opium alkaloids at the Alkaloid Works in the Ghazipur Opium Factory in so far as supplies for civil purposes to the trade are concerned in the post-war years..

2. As the Association etc. are no doubt aware, till 1940 the factory at Ghazipur was able to supply in full the demand for alkaloids placed upon it by the trade, though it appears that the trade also placed orders abroad for some of their requirements. From 1941 onwards, very heavy military demands were placed on the Ghazipur Factory, and steps were consequently taken during the war to instal new plant there in order to meet this inflated demand. For some time however the capacity of Ghazipur to manufacture opium alkaloids remained below the level of the combined military and civil demand and consequently supplies to the trade for civil purposes had in some cases to be restricted.

3. With the ending of the war, this position no longer obtains. Military demands are being cancelled and cut down, and it is expected that when peace-time conditions are restored, Ghazipur should be able with the increased capacity which it now has owing to the installation of fresh and up-to-date plant, to supply all demands that may be placed upon it, both civil and military.

4. In order however for Government to be in a position to lay their plans in this behalf in the light of the best possible estimates of the demands likely to be placed upon the Ghazipur Factory, they would be much obliged if your Association etc., could kindly furnish them with their estimate of the future annual demand by the trade in India for all kinds of opium alkaloids and in particular for the following for which a demand has existed in the past :—

1. Morphine Hydrochloride ;
2. „ Sulphate ;
3. „ Tartrate ;
4. „ Acetate ;
5. „ Crude ;
6. „ Pure ;
7. Codeine Pure ;
8. „ Phosphate ;
9. „ Monohydrate ;
10. Cotarnine Hydrochloride ;
11. Narcotine ;
12. Pantopon (Papaveratum) ;
13. Papaverine.

For purpose of comparison a statement is enclosed showing the amounts of morphine and its salts and of codeine and its salts made available from Ghazipur to civil indentors in the year 1935 to 1944, together with a statement showing imports of these drugs into India in each of these years. The figures of imports however are inclusive not only of civil demands, but also of Government demands of various kinds as indicated in the statement ; it is regretted that the relevant figures relating to civil demands only are not available.

5. The Government of India would be grateful for an early reply, which will be of assistance to them in formulating their policy as to the volume of output from the Factory vis-a-vis the demand for which they shall have to cater; it will also be useful to them for determining the prices of opium alkaloids in post-war conditions.

I

Statement showing the amounts of morphine and its salts and of codeine and its salts made available from Ghazipur to Civil Indentors in the year of 1935 to 1944.

| Year. | Weight of morphine in the form of morphine itself or of its salts. | | Weight of codeine in the form of codeine or of its salts. | |
|---|---|---|---|---|
| | Lbs. | Oz. | Lbs. | Oz. |
| 1935 ... | 129 | 5 | 66 | 6 |
| 1936 ... | 128 | 15 | 13 | 9 |
| 1937 ... | 142 | 5 | 47 | 0 |
| 1938 ... | 168 | 8 | 59 | 8 |
| 1939 ... | 112 | 7 | 50 | 8 |
| 1940 ... | 147 | 11 | 82 | 6 |
| 1941 ... | 147 | 6 | 53 | 11 |
| 1942 ... | 184 | 4 | 4 | 6 |
| 1943 ... | 180 | 8 | 24 | 4 |
| 1944 ... | 184 | 9 | 33 | 9 |

II

Statement showing imports of morphine and its salts and codeine and its salts into India during 1935-1944.

| Year. | Weight of morphine in the form of morphine itself or of its salts. | | Weight of codeine in the form of codeine or of its salts. | |
|---|---|---|---|---|
| | Lbs. | Oz. | Lbs. | Oz. |
| 1935 ... | 70 | 0 | 81 | 0 |
| 1936 ... | 65 | 0 | 63 | 0 |
| 1937 ... | 49 | 0 | 60 | 0 |
| 1938 ... | 63 | 0 | 89 | 0 |
| 1939 ... | 70 | 0 | 29 | 0 |
| 1940 ... | 49 | 0 | 59 | 0 |
| 1941 ... | 78 | 0 | 69 | 0 |
| 1942 ... | 31 | 0 | 41 | 0 |
| 1943 ... | 33 | 0 | 76 | 0 |
| 1944 ... | 93 | 0 | 116 | 0 |

*Notes* :—

1. The figures given relate weights of pure morphine or pure codeine as the case may be whatever the actual form of the substance supplied from Ghazipur or imported. In the case of morphine salts the weight of pure

morphine has been taken as 80% of the actual weight of the salt, and in the case of pure codeine the corresponding figure is 70%.

2. Import figures of morphine and its salts are inclusive not only of trade demands, but of Civil Government demands also.

3. Import figures of codeine and its salts are inclusive not only of civil demands, but of Government demands both civil and military also.

*Letter No. 724, dated 20th March 1946, from Chamber to Central Board of Revenue.*

I am directed to acknowledge receipt of your letter Ref. C. No. 149 EO|45 dated the 11th December 1945 on the above subject enclosing a copy of a letter of the same date addressed to the Pharmaceutical & Allied Manufacturers & Distributors Association, Ltd. My Committee note that the Government Alkaloid works at Ghazipur Opium Factory now wish to revert to the manufacture of alkaloids to meet the civilian needs as the war has now ended. They also note that the Ghazipore factory plant had to be expanded during the war period to meet the heavy military demands. It is obvious that the military demand having been now cancelled, the increased productive capacity developed during the war-time should be diverted to meet the other channels of consumption. They also note the request of your Board that the Associations concerned should furnish an estimate of probable yearly demand for such alkaloids in India to enable the factory to formulate its future plans for production and distribution.

My Committee have examined the matter in detail in the light of the repercussions which the sole Government monopoly for the manufacture of such chemicals would have on the other indigenous sources of manufacture, which were expected to be in a position to cater to the civilian demands. They would like in this connection to refer to the previous correspondence on the subject which took place in the year 1945 resting with your letter dated 20th August 1945 wherein the Central Board of Revenue could not agree to the manufacture of opium alkaloids by private agencies in British India. During the intervening period, my Committee feel that nothing has happened which should make them change their views expressed with regard to private manufacture of alkaloids, last year. It would be but proper that they should reiterate their previous views on the subject. Government then took up the position that control over the manufacture of opium alkaloids was necessary under the provisions of the International Conventions. They further maintained that only Government should be the sole manufacturing agency for alkaloids. My Committee had then contended that the provisions under the International Conventions only prescribed certain measures of control to be exercised over the private manufacture of alkaloids and could not be interpreted as meaning that the manufacture of such alkaloids was prohibited to private firms. Such private manufacture was allowed in U.K. and U.S.A. My Committee then had pleaded with Government they (Government) were in a position to exercise the necessary control prescribed under the Conventions on the manufacture of chemicals

by private enterprise. My Committee would urge again that Government should reconsider their decision taken in favour of Government monopoly for manufacture of alkaloids and to give full freedom for private enterprise in such manufactures, exercising strict control if thought necessary by them.

*Letter No.* C149|EO, *dated 29th April* 1946, *from Central Board of Revenue to Chamber.*

I am directed to acknowledge with thanks the receipt of your letter No. 724 dated 20th March 1946, on the above subject. The Board notes with regret that instead of furnishing an estimate of probable annual demand for opium alkaloids by the trade in India for post-war years, the Committee of your Chamber has thought fit to raise once again the question of allowing the manufacture of opium alkaloids by private firms. As already stated, with the cessation of hostilities the position regarding the supply of opium alkaloids from the Alkaloid Works, Ghazipur, is quite different from what it was during the war. The Board feels that the new plant installed by the Government of India at Ghazipur is capable of meeting all demands that may be placed upon it. The Government of India cannot therefore agree to the suggestion that private firms may be permitted to manufacture opium alkaloids. They would however be glad to take steps with a view to removing any difficulty which may be experienced by the trade hereafter in regard to the supply of such alkaloids from the Alkaloid Works, Ghazipur, if and when it is brought to their notice.

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## APPENDIX 84

### Middle East Supply Centre

*Letter No.* 1366, *dated 4th June* 1945, *from Chamber to Department of Commerce.*

The attention of my Committee has been drawn to the difficulties experienced by Indian exporters on account of the formalities imposed in connection with control in respect of exports from India of certain goods by the Middle East Supply Centre. They have seen a copy of the Notice issued by the Export Trade Controller, dated 17th May 1945, containing a list of commodities for which India is the loading area and for which the Middle East Supply Centre has to be approached for completing the necessary formalities. The items of control consist of articles of food and drink, edible oils, fats and soaps, chemicals, vegetable and tanning materials, timber and manufacture, fibres, pharmaceutical goods, etc.

According to the information furnished to my Committee, under the procedure in force at present, even after the necessary export quota and licence has been secured from the appropriate authorities of the Government of India, the actual export and facilities for the same, such as provision of the necessary shipping space, etc. will be allowed only after the ex-

port has been specifically authorised on behalf of the M.E.S.C. The authorities regulating the supply on behalf of the M.E.S.C. can also determine the markets within their jurisdiction to which the supply should be sent, the ultimate consignees, etc. The existence of this procedure, besides causing considerable disorganization in the trade, denies both to the exporter here and the importer at the other end opportunities of free contacts and direct negotiations and sometimes the exporter has even to supply to markets and to parties with whom he had previously no business dealings. Government will appreciate that these restrictions militate against the building up of healthy trade relations; and, apart from the temporary inconvenience, will stand in the way of the development of mutual trade relations between the exporters in this country and the importers at the other end.

Whatever may have been the justification for the imposition of such control or restrictions on behalf of the M.E.S.C. in the past, my Committee venture to submit that, in view of the definite improvement in the war situation, as also in the shipping position, there is no need for continuing these formalities any longer, and that Government should see to it that normal conditions are restored in the trade and the Indian exporters are enabled to make their arrangements for exports to the countries in question with the importers direct without any such official intercession or interference by the M.E.S.C.

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## APPENDIX 85

### Supply Mission for Middle East

*Letter No.* 3065, *dated 12th November* 1945, *from Chamber to Commerce Department, Govt. of India.*

The attention of the Committee of this Chamber has been drawn to a report which appeared in the Indian press recently to the effect that a new organization called the British Supply Mission would be established in Cairo on the 1st instant, whose primary function would be the securing of an equitable share to the Middle Eastern countries of the essential commodities, which are still in short supply, from the areas under the British control or from sources from which the British authorities can procure supplies. The commodities with which the said Mission is reported to be concerned are : cereals, sugar, tea, oil, foodstuffs, timber, hides, leather, jute, etc.

If this report be true,—and my Committee think that it must be true, coming as it does from an usually reliable source like Reuter,—they would lodge a strong protest against India being included within the ambit of the jurisdiction of the new organization, for that would mean an unnecessary interference with the Indian export trade to the Middle East countries by an outside agency. The new organization, my Committee feel, is only a resurrection of the war-time Middle East Supply Centre, whose functioning had put the Indian exporters to the Middle East countries to great hardships and

to which, therefore, as you may be aware, my Committee had taken strong objection.

As my Committee are anxious to know the details of the new organization, they would request Government to pass on to them any information regarding the same that they might be in possession of. They would further suggest that if Government are not already in possession of the information, they should make enquiries from the British authorities in the matter.

As the matter is one of vital importance to the Indian export trade, my Committee would urge upon Government the necessity of taking up the matter in right earnest without any loss of time.

*Letter No.* 76-CW(7), *dated* 13*th December* 1945, *from Commerce Department to Chamber.*

I am directed to acknowledge the receipt of your letter 3065, dated 12th November, 1945, and to say that the official advice received by the Government of India regarding the establishment of the British Supply Mission (Middle East) conforms closely to the information that has already appeared in the press and to which you refer in your letter.

2. The Middle East Supply Centre came into existence at a time when, under the strain of war, world shortages and shipping difficulties were seriously interfering with the essential requirements of the Middle East countries and there was imperative need for co-ordinating demands with supply. Contrary to popular opinion, that Centre did a useful job and did not seek to interfere with the trade of the countries supplying essential requirements to Middle East territories. The sphere of the activities of the British Supply Mission (Middle East) is extremely limited to ensuring that if any Middle East country does not get its bare requirements from one source, efforts are made to obtain the balance of its requirements from an alternative source. The list of commodities it is concerned with, is very small, and even in regard to these commodities, the Mission is not expected to co-ordinate exports with imports. It cannot in any way interfere with India's foreign trade, and your Chamber may therefore rest assured that the activities of the Mission will not have any injurious effect on India's future trade.

*Letter No.* 109, *dated* 12*th January* 1946, *from Chamber to Commerce Department.*

I am directed to acknowledge the receipt of your letter No. 76-CW(7)|45 dated the 15th December 1945 on the above subject. My Committee note that the Government of India have also received official advice about the establishment of the British Supply Mission in Cairo and that the Report which appeared in the press in this regard was substantially correct.

My Committee are, however, unable to share the feeling expressed by Government that the Mission will not in any way interfere with India's foreign Trade. They would in this connection recall the sense of dissatisfac-

tion caused in the country by the activities of the United Kingdom Commercial Corporation and latterly of the Middle East Supply Centre. In fact, they had occasion to refer particularly to the activities of the Middle East Supply Centre when they met the Honourable Mr. N. R. Pillai, Commerce Secretary of the Government of India, on the 7th June 1945. They were given to understand that the Centre would cease to operate before long. It is, therefore, extremely disappointing to note that a new official agency has sprung up in its place and that that Agency would be concerned with arrangements for regulating imports of supplies to the countries in the Middle East.

Government in their reply have mentioned that the list of commodities with which the Mission would be concerned was very small and that even in regard to those commodities the Mission was not expected to co-ordinate exports with imports. My Committee request that a complete list of the commodities covered by the activities of the Mission may please be furnished for their information.

The war having ended, it is in the fitness of things that normal channels of trade should be allowed to function without any interference from such officially sponsored agencies. The exporters in this country should be in a position to contact directly the importer at the other end and the intercession of any official or quasi-official agency in the trade between the two countries is at this stage unnecessary and uncalled for. If, however, Government feel that they are not in a position to represent to the British authorities that the British Supply Mission should cease to function, the least that they could do is to arrange that the Mission should not be in any way, directly or indirectly, concerned with supplies and exports from India. So far as India's supplies and exports to that country, and vice versa, are concerned, the normal channels of trade should be allowed the freedom of direct contact and direct dealings without any official intermediary at any stage. My Committee feel very strongly on this point and they request that Government will be pleased to take up the matter with His Majesty's Government.

*Letter No.* 76CWB(7)/45, *dated 5th April* 1946, *from Commerce Department to Chamber.*

I am directed to refer to your letter No. 109, dated the 12th January 1946 and to enclose list of commodities in the "Short List" for exports to the Middle East countries.

MIDDLE EAST "SHORT LIST"

1. Cereals—Wheat, Wheat flour, Barley, Rice (White and Paddy).
2. Sugar—Raw and Refined.
3. Coal and Coke.
4. Coffee.
5. Tea.
6. Vegetable oils and oil seeds, fats and soaps.

7. Fertilisers.
8. Cereals—Oats and Rye.
9. Animal feeding stuffs.
10. Cereals products.
11. Citric and Tartaric Acid including argols and wineless.
12. Cocoa, Cocoa Beans and all Cocoa products.
13. Dairy and poultry products.
14. Essential oils—Lemon oil, Bitter and Sweet orange oil and Tangerine oil.
15. Fish.
16. Dried fruit.
17. Hops and Hop products.
18. Meat—Fresh, frozen, pickled, salted, smoked, canned or dehydrated (excluding fresh and frozen poultry rabbit and venison).
19. Nuts edible—Peanuts and Groundnuts.
20. Pulses.
21. Seeds.
22. Spices.
23. Manufactured products containing sugar.
24. Vitamin 'A' oils.
25. Hides and leather manufactures (including raw cattle hides, raw calf and kip skin, all cattle, calf and kip leather, raw goat skins and all goat skin leather, East Indian tanned kips, goat skins and sheep skins, but excluding scrap leather pieces in small parcels).
26. Jute and Jute Manufactures.
27. Lumber and Timber.
28. Cordage fibres.
29. Rubber.
30. Tin (unrefined forms) refined tin and the base alloy basic shapes and forms.
31. News Print.

*Letter No. 1022, dated 23rd April 1946, from Chamber to Commerce Department, New Delhi.*

I am directed to acknowledge receipt of your letter dated the 5th April 1946, No. 76-CWD(7)|45, enclosing a list of commodities in short supply for export to the Middle East countries, in reply to this office letter No. 109 dated the 12th January 1946.

While thanking you for the enclosure of the list of commodities in short supply handled by the British Supply Mission, my Committee regret that the points raised by them in their above letter regarding the activities of the Mission, have been left unanswered. In view of the war having now ended and restrictions being gradually removed from all parts of the world in the interest of free movement of commerce, my Committee feel that there should be little justification for creating a monopolistic agency for the supply of goods to places in the Middle East, thereby hindering free flow of exports and imports. They regret all the more that an official agency should have

been created for the purpose. As expressed in their previous communication on the subject, my Committee feel anxious that if such agencies were allowed to operate vis-a-vis Indian commerce, the legitimate rights of Indian merchants would be jeopardised in the end. While recognizing the need of such countries in short supply for regulation and control of the commodities required by them, there could not have been and should not be, any necessity for creating a monopolised body whose function it would be not only to regulate and co-ordinate such supplies, but to take upon themselves the supply of such commodities.

My Committee earnestly hope that Government will be pleased to send a detailed reply to their communication under reference which has up to now remained unanswered.

*Letter No.* 76CWB(7)|45, *dated* 11*th May* 1946, *from Commerce Department to Chamber.*

With reference to your letter No. 1022 dated the 23rd April 1946, on the above subject, I am directed to say that as already intimated the British Supply Mission (ME.) functions as an advisory body to M.E. Territories, its object being to bring home to these territories the products which India is in a position to export and to keep India informed of the requirements ments for regulating imports of suplies to the countries in the Middle East. in various commodities needed by these territories.

The British Supply Mission is not an exporting or supplying agency, and no question of monopoly therefore arises in this connection. Exports are made by Indian exporters and free flow of exports is not hindered by the existence of the British Supply Mission.

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## APPENDIX 86

### Ceylon Supply Mission in India

*Telegram dated 22nd February* 1945, *from Chamber to Department of Commerce.*

The Committee, Indian Merchants' Chamber, are given to understand that as a result of the recent visit of Sir Oliver Gunathilaka, the Ceylon Government propose establishing a supply centre in the country for canalising procurement handling and despatch of all supplies allowed to be exported from this country to meet the requirements of Ceylon. The Committee wish to protest very strongly against any such move, as the same would displace existing trade channels and result in injustice to established business interests. The Government of India have all along expressed their anxiety and assured commercial interests to preserve existing trade channels and the revised procedure, if agreed to, is not in keeping with such assurances. The Committee therefore request Government to issue a full statement explaining the position and make it clear to the Ceylon Authorities that such ex-

ports as may be allowed from this country will have to be secured and handled through ordinary channels of trade. In this connection the Committee understand that Government have recently authorized the export of a large quantity of pulses and gram to Ceylon. 25% of such exports was carried through the agents of the Ceylon Government. While the Committee are seriously concerned that when the internal supply position of Food cannot be deemed to be completely satisfactory, Government should at all have allowed these exports; they must at all events protest against any part of such exports as had been allowed, being earmarked for direct handling by the representatives of the Ceylon Government themselves. The Committee earnestly request the authorities to review their policy in this regard and to lay down that only such exports as are compatible with the internal supply position would be allowed and that all authorised exports would be through the normally functioning trade channels.

*Letter No.* O882|CW|45, *dated 25th May* 1945, *from Department of Commerce to Chamber.*

With reference to your telegram dated the 21st February 1945, on the above subject, I am directed to say that the Government of India have no information that the Ceylon Government contemplate the establishment of a Supply Centre in this country for the purpose of canalising procurement and despatch of all exportable goods. The Ceylon Government are aware that it is the general policy of the Government of India to maintain trade through normal commercial channels, as far as possible.

2. With regard to the export of pulses to Ceylon, I am to say that shipments through established trade channels have not been regular and that 'established shippers' have not always been able to effect shipments of their quotas in full. It has therefore been considered necessary, in order to ensure regular supplies to Ceylon, that the Ceylon Civil Supplies Commissioner should be permitted, as a special case, to purchase pulses and arrange exports upto 25 per cent of the prescribed quota.

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## APPENDIX 87

### Protection to Calcium Chloride Industry

*Letter No.* 1560, *dated* 21*st June* 1945, *from Chamber to Commerce Department.*

The Pioneer Magnesia Works, Ltd., Bombay, have sent to my Committee a copy of their representation dated the 7th June 1945, addressed to Government on the question of affording adequate protection to the Calcium Chloride industry. Government have already, by statements in the press and announcements made in the Legislature, accepted their responsibility for safeguarding the position of industries which were expanded or developed during the period of the war with a view to assist and strengthen the internal supply position. The company in question accordingly have

placed before Government facts and figures relating to their particular case and have stated the grounds on which their interests require to be protected. My Committee, naturally, have no desire, at this stage, to enter into a detailed examination of the proposals and suggestions made in the communication. Government will, no doubt, be going into the same. The main purpose of this communication is to commend the case of the industry for the kind consideration of Government and to recommend that such action as Government may find necessary should be taken at an early date so as to enable the industry to continue its manufacturing activities in the country unimpaired by any chances of its position being affected by foreign competition. It is requested that Government should give the industry the necessary assurance and should take early steps for implementing the same.

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## APPENDIX 88

**Complaints from Overseas Brokers—Business through "Guarantee Brokers"**

*Letter No.* 5665|CIB,*dated 23rd June* 1945, *from Department of Commercial Intelligence and Statistics to Chamber.*

Complaints from importers abroad are often received in this Department against Indian shippers for bad quality or short weight of goods supplied on the basis of fixed letters of credit and in consequence an impression is gaining at the other end, that financing imports from India on this basis is fundamentally unsound, since under it the overseas buyer has no real control over the shipment or the shipper. It is stated that the overseas buyers, very often fail to obtain satisfactory settlement of their claims in case the Indian shippers skimp on quality when prices are rising or in case of a sudden cessation of trade. It has accordingly been suggested that the only feasible way to secure protection against such difficulties is to employ a guarantee broker resident in India to assure the quality and quantity of shipment and it is argued that although the cost of transacting business through a guarantee broker is greater than direct purchases from Indian shippers, using a letter of credit, there would be a saving in the long run to overseas importers under this method.

Your Chamber does not certainly want the commercial circles at the other end to gain the impression that business with India is attended by such circumstances that it is not possible to secure equitable relief when the contracting party at this end breaks down on specific provisions of contract. I would however request you kindly to let me have the comments of your Chamber on the statement of position given above together with its reactions to the proposed change over from the fixed letter of credit system to the "through guarantee broker" system.

*Letter No.* 1753, *dated* 12*th July* 1945, *from Chamber to Director of Commercial Intelligence and Statistics.*

I am directed to acknowledge the receipt of your letter No. 5665-C.I.B., dated 23rd June 1945, on the above subject.

My Committee have given careful consideration to the points raised therein. While they share your anxiety for doing everything to preserve and safeguard the reputation of Indian exporters in overseas markets, they feel, at the same time, that it is not fair to the Indian interests at this end to be confronted with a general statement that importers abroad are often complaining about the bad quality or short weight of goods supplied on the basis of fixed contracts from India. It is a matter of common knowledge that commercial contracts generally contain specific provisions for relief or allowance on occasions of difference in quality or weight; and overseas buyers can surely seek redress whenever they have a grievance by enforcing the terms thereof. At all events, before a general complaint of this character can be accepted at this end as deserving further consideration, it is the duty of those who complain to make out a *prima facie* case by furnishing full particulars and details regarding such lapses so as to enable the authorities and Commercial Organisations like this Chamber to investigate the matter and to see if the alleged complaints are of such a nature as would necessitate the consideration of specific remedial measures. I am, therefore, desired to request you to contact the sources from which the above complaint was received and get full particulars and facts relating to the same, so as to enable my Committee to go further into the matter.

My Committee further feel that consideration of any proposal for the introduction of through "Guarantee Broker" system should also be held over, pending the receipt of full information relating to these complaints. You will agree that if these complaints are not substantiated, the question of any change over or any remedial measures naturally will not arise. It is, therefore, at this stage premature to consider or express any opinion on the question of substituting the Fixed Letter of Credit system by the Guarantee Broker system.

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## APPENDIX 89

### Sites for Factories for the manufacture of Rayon*

*Letter No.* 134|Bd, *dated* 28*th March* 1945, *from Council of Scientific and Industrial Research to Chamber.*

With reference to your letter No. 416, dated the 12th Feb. '45 on the subject noted above, I write to inform you that the Governing Body of the Council of Scientific & Industrial Research have since decided to publish the report and a copy will be sent to you in due course as soon as they are made.

* For previous correspondence, *see* Report 1944, p. 322.

*Letter No. 958, dated 11th April 1945, from Chamber to Council of Scientific and Industrial Research.*

I am directed to acknowledge the receipt of your letter No. 134-Bd. XVI|44 dated the 28th March 1945, the contents of which have been noted by my Committee. They await with interest the receipt of a copy of the Report.

In this connection, I am desired to address the Council again in regard to another point raised in this office letter No. 2010 dated 2nd October 1944. They had referred to the investigations carried on about the suitability of sites for the establishment of factories for the manufacture of Rayon. It would appear that such investigations were confined to centres like Travancore, Asansol, etc. and that no such investigation was made regarding sites suitable in the Bombay Province. The province of Bombay is very much interested in the development of the Rayon Industry. As a matter of fact, the question of setting up factories in this presidency was at one stage under active consideration both by the Government of Bombay and the Indian Central Cotton Committee, and it is understood that the Industry could be suitably located in centres like Thana, Ambernath and Surat. My Committee urge that the Council should initiate and conduct the necessary investigations in that direction with a view to suitable sites in Bombay Presidency also being selected for the purpose of establishing this industry.

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## APPENDIX 90

### Distribution of Dyestuffs in Madras Province

*Letter No. 3087, dated 13th November 1945, from Chamber to Provincial Textile Controller, Madras.*

The attention of my Committee has been drawn to the representation submitted to you by the Association of Indian Importers of Dyestuffs, Bombay, in regard to the proposal which is reported to be under your consideration for the distribution of dyes in the Madras presidency. Under this scheme it would appear that the dyes trade is proposed to be classified into three categories, viz. (*a*) importers, (*b*) importers' authorised distributors and wholesale dealers, and (*c*) retailers. All the above classes of dealers will be required to secure licence from your Department and will have to pay a fee of Rs. 100|-, 50|- and 10|- respectively. Importers would be allowed to sell only to their authorised distributors and wholesale dealers, and consumers would not be allowed to secure their supplies direct from the importers. Dealers in the Madras presidency will not be allowed to obtain supplies from outside the Madras presidency without a valid permit from the Textile Commissioner.

My Committee have carefully considered the provisions of the scheme as outlined above and they feel that the whole scheme tends unduly to interfere

with the traditions and practices of the dyes trade established now for over four decades. The provision in the scheme which prevents an importer from having direct dealings with the retailer and the consumer will, my Committee fear, have the unfortunate result of disorganizing the whole structure of the dyes trade. The provision which makes it necessary to obtain a permit from your Department for the importation of supplies from outside Madras presidency will only result in creating artificial shortages and surpluses in different places.

My Committee, therefore, beg to record their protest against this scheme and its various provisions, as being detrimental to the interests of both the importer and the consumer alike. Even when the war was on, Government had pormised the commercial community that though the exigencies of the war and the resultant scarcity of supplies might make it necessary to impose restrictions and controls over various trades, care would be taken to see that as far as possible the normal channels of trade were not disturbed. After the war was over, Government held out the promise that the working of each control would be carefully examined and early opportunity would be taken, consistent with the position of supplies available, either to remove or at least to relax the existing control orders. My Committee are, therefore, surprised that at this stage it should have been found necessary to introduce a scheme of distribution that would work to the detriment of the legitimate rights of the importers of dyestuffs by divorcing the importer and his country-wide branches from his established clientele built up after years of patient efforts.

My Committee, therefore, beg to suggest that the scheme referred to should not be introduced for the various reasons stated above.

*Letter No.* 116971|C|45, *dated* 17*th November* 1945, *from Provincial Textile Commissioner, Madras to Chamber.*

The fees which you have quoted as the fees prescribed by us are not correct. We have prescribed 3 classes of licences as you have mentioned. For class I licence—Importers—the fees is no doubt Rs. 100 and for class III licences—Dealers other than authorised distributors and others—Rs. 10|- per annum. For class II licences, namely, licences intended for authorised distributors and dealers, the fee is only Rs. 25|- per year as against Rs. 50|- quoted by you.

2. You state that dealers in the Madras Presidency are not allowed to obtain supplies from outside the Madras Presidency without a valid permit from the Textile Commissioner, Bombay. I do not know wherefrom you have taken this information. The question of exports and imports has not yet been considered and finalised. It is not our intention to exercise powers to interfere with any importers' distribution of dyes and chemicals to provinces and states; but if any such interference was called for, necessary action will be taken only in consultation with the Textile Commissioner, Bombay.

3. The only other main point in your reference is the provision in our scheme which prevents an importer from having direct dealings with the retailer and the customer. This point was discussed recently at Bombay and a satisfactory decision has been arrived at. Importers will be permitted, on application, to sell directly to dealers as well as large consumers.

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## APPENDIX 91

### Development and Control of Electric Supply Industry

*Letter No. 6646|36-R, dated 22nd November 1944, from Public Works Department to Chamber.*

I am directed by the Government of Bombay to forward herewith copies of the correspondence* and to request that with reference to paragraph 6 of the Government of India letter No. E.B. 1, dated the 21st October 1944, in the Department of Labour, you will favour Government with the views of your Chamber as representing consumers.

2. As to item (1) of the Government of India letter dated the 21st October 1944 you are aware that this Government has already announced its intention to set up a Grid System of electricity for this Province. The opinion of your Chamber is therefore required more particularly on items (2) and (3) thereof. In view of the short time available, it would be appreciated if a reply could be received not later than the 7th December 1944.

*Letter No. 2583, dated 23rd December 1944, from Chamber to Public Works Department, Bombay.*

I am directed to refer to your letter No. 6646|36-R.I., of the 22nd November, on the above subject, and in reply to send hereby the views of my Committee on matters relating to issues of policy raised therein.

At the outset, it may be mentioned that my Committee are not replying to the detailed aspects of the various queries contained in the communication and enclosures thereto. Some of them are of a technical nature, and organisations and enterprise directly connected with electric supply undertakings will no doubt be furnishing Government information and factual data on all those aspects. My Committee are, therefore, confining their remarks to a statement of their views on main issues of policy arising from Government's reference.

My Committee are given to understand that the electric supply industry as such was not represented at the First meeting of the Policy Committee. They cannot help regretting this omission. It will be appreciated that persons or representatives of organisations and interests directly concerned with the industry would have facilitated the work of the Committee and helped them particularly in enabling them to give proper consideration to the practical aspects of the several issues arising in evolving a long-term policy

*Not printed.

for the future. It is, therefore, requested that this omission should be repaired and that, at any rate, in the further stages of the deliberations of the Policy Committee or any subsidiary body set up in that connection, due representation should be given to the producing interests, so that the practical aspects of the question receives adequate and sufficient consideration.

The most important point in the matter of formulating a definite policy for the future in this regard is in regard to the future ownership and control of the electricity generating and supply industry. On this question, my Committee are definitely of the opinion that ownership of the industry should in future also vest in private enterprise. Private ownership has not, in the past in any demonstrable manner, been found to militate against any recognised public interest. Speaking particularly of the Province of Bombay, it is a well-known fact that electricity undertakings owned privately have contributed not a little to the development of the areas in which they are operating and have also discharged their main function of generating energy and supplying it to the consumers, generally in an efficient and satisfactory manner. The notes and the memoranda emanating from the Policy Committee have not also made out, in the opinion of my Committee, any case for a change in policy, viz. substituting State ownership or quasi-State ownership in place of private ownership. It is not necessary, at this stage, to enter into any general discussion of the larger question of private versus State ownership and control. Suffice it to say that in the state of things as they exist in the country today, there are overwhelming reasons for agreeing to the continuance of private initiative in making the fullest contribution towards the economic and industrial development of the land. My Committee, therefore, wish to emphasise it as their considered opinion that the electricity producing industry should be, in the absence of any relevant informing and convincing data from Government for the State ownership and control of this industry, continued to be owned and worked by private interests and there is no justification for any change in this policy.

The part which the State should play in the further stages of the development of the industry is in the matter of providing necessary facilities and assisting the industry successfully to organise itself so as to make it subserve the general economic and social needs of the country at large. The State will have ample opportunities in that sphere by assisting private enterprise in properly organising the industry by advice and guidance.

Although as mentioned above my Committee are not dealing with the detailed and technical aspect of the issues covered by the notes furnished by Government, they would however like to refer to the proposals made in "the recommended principles for the control of public utility electric supply finance" on matters relating to the rate and basis of calculating return on capital invested, etc. While my Committee realise that definite provisions would be necessary for regulating the rate of return in respect of public utility undertakings like electricity producing concerns, they wish to emphasise that such provisions should be fair both to investors and consumers of electricity and such as to facilitate the development of industry on sound

lines. Although my Committee have not had sufficient opportunity to make a detailed examination of the draft recommendations, they are of the definite opinion that it is fundamentally wrong and highly inequitable to deduct the amount of the depreciation fund and other reserves of an undertaking from the capital expenditure for the purpose of arriving at the basis upon which a fair return is to be allowed. Moreover, they feel that the standard rate of 7½%, subject to income-tax, proposed in the Memorandum as a return on capital invested in this industry is inadequate. It will be realised that the actual return will then be 4% or even less than that. It cannot be denied that such a poor return on capital may not encourage the investors to lock up their money in this industry and it will, be difficult for this industry to find the required capital for its future expansion and development. My Committee, therefore, urge that this aspect should be further gone into and that a fair basis of estimating the capital employed should be evolved in consultation with the interests concerned. The rate of return should also be such as will offer the necessary inducement to investors to put their money in proposals relating to the extension and development of the electricity industry.

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## APPENDIX 92

### Bombay Cotton Cloth Trade Regulation Order, 1945

*Letter No.* 7441, *dated* 15*th March* 1945, *from Chamber to Govt. of India.*

The attention of my Committee has been drawn to the provisions of the above Order as published with Government Notification No. 564|VII dated the 19th February 1945. This Order is intended to be in supersession of the earlier order which regulated the licensing of the trade in cloth, viz. the Bombay Cotton Cloth Dealers' Licensing Order, 1943. My Committee very much regret that before issuing this revised order Government did not consider it advisable to circulate the draft in advance to the interests concerned and invite their comments and suggestions on the same. Such a procedure was all the more desirable in this case as the working of the earlier order, viz. the Bombay Cotton Cloth Dealers Licensing Order, had led to considerable dissatisfaction in trade circles.

While my Committee are anxious that the distribution and handling of cloth during the present emergency should be rendered as effective, smooth and equitable as possible, they must at the same time point out that the measures and steps Government introduce to achieve that should not ignore the practical difficulties of the trade and should afford to those concerned all reasonable opportunities of representing their point of view to the authorities concerned. Some of the provisions of the present Bombay Cotton Cloth Trade Regulation Order, my Committee are constrained to observe, cannot be claimed to have been framed in that spirit. It is significant to point out that even at this stage it is very necessary for

Government to ensure the willing assistance and co-operation of the trade in order to make their scheme for the handling and distribution of cloth effective and workable in its day to day operation. With these general remarks, my Committee would like to place before Government the more obvious defects and omissions which have been brought to their notice in the above order as the same stands at present.

In the first place, under Clause 8, the Government of Bombay is empowered to refuse an application for a licence without assigning any reason. This power has led in the past and is likely to lead hereafter to serious hardship. Persons who have long been in the trade can be refused the necessary licence and consequently will be obliged to go out of business, whatever might have been their previous record and service in the trade. In order that this power may not be vexatiously used, it is incumbent to provide that the licensing authorities should give a statement of the reasons for rejecting an application for licence. It would also be very desirable at the same time to provide an appeal against any such decision to a higher authority.

**Clause 11:** The scale of fees proposed for the various classes of licences is abnormally high. For a "A", "B", and "D" class licence Government propose to charge Rs. 500|- and for a "C" class licence Rs. 100|- in the city of Bombay. Licence fees, whenever they are charged, are more or less nominal. Under the old licensing Order the fee prescribed for a dealer was Rs. 5|-. My Committee see no justification for this abnormal increase in the charges which almost amount to a tax on the trade and could not in any case be deemed as in the nature of a fee for the issue of licences. My Committee submit that particularly when the turnover in the trade has considerably shrunk and when the margin of profit is strictly regulated, the trade should not be penalised by such heavy charges.

**Clause 22:** The most objectionable provision of the order is that contained in clause 22. Under this clause Government is given power to cancel or suspend any licence without any right to compensation or refund of fees without previous notice or without assigning any reasons. This is indeed very arbitrary. My Committee are aware that a similar provision obtained in the old licensing order, but the working of the same had led to a good deal of dissatisfaction in trade circles and it was being freely complained that the powers in that regard were being very arbitrarily and vexatiously used. In fact, my Committee had occasion to address Government on the question of the section taken under the corresponding clause in the old order with a view to ascertaining as to what precautions Government had taken to satisfy themselves that such wide powers were not being misused. My Committee submit that it is very necessary in the interests of securing the smooth working of the control of distribution that some safeguard eliminating chances of arbitrary exercise of this power is very essential and to that end they suggest that the clause in question should be so amended as to provide that such cancellation should be accompanied by a statement of reasons leading thereto. At the same time, an appeal should also be pro-

vided against the decision of the licensing authorities cancelling or suspending such licence.

The changes indicated by my Committee herein are very essential in the interests of the smooth working of the distribution and handling of cloth under the Order in question and they urge that the provisions in question be suitably amended.

*Letter No.* 564|5929|VII, *dated 6th April* 1945, *from Finance Department, Govt. of India to Chamber.*

I am directed to refer to your letter No. 744 dated the 15th March 1945 and to state as follows :

The Bombay Cotton Cloth Trade Regulation Order, 1945, is not entirely a new order but reproduces most of the provisions of the Bombay Cotton Cloth Dealers Licensing Order, 1943. It was not therefore considered necessary to circulate the draft order for opinion. The re-classification of dealers into several categories conforms with the requirements of the Distribution scheme formulated by the Textile Commissioner under the Cotton Cloth and Yarn (Control) Order, according to which the wholesalers have been divided into two classes—quota holders and 'B' class dealers, through whom the cloth must pass to retailers and others. There are several representatives of the trade on the Textile Control Board and on the Distribution Committee and through them the trade has been aware of the new arrangements for some time past. The new order merely gives effect to these changes.

Government has carefully considered your representation regarding the fees fixed for different classes of licences, but it is regretted that your request for reducing the prescribed fees cannot be complied with. It has, however, been decided that the fees for renewal of the licences will be scaled down as under :

| | |
|---|---|
| 'A' Class | Rs. 100 |
| 'B' Class | „ 100 |
| 'C' Class | „ 25 |
| 'D' Class | „ 100 |

Clause 14 of the order will be accordingly amended.

With regard to the objection to clause 22 of the order, it may be mentioned that this is not a new provision but merely a reproduction of clause 8-A of the Bombay Cotton Cloth Dealers Licensing Order, 1943. However, very careful consideration is given to each case before the powers conferred by this clause are exercised.

## APPENDIX 93

### Distribution of Cloth and Profit margin for the Retail Trade

*Letter No. 819, dated 24th March 1945, from Chamber to Textile Commissioner, Bombay.*

The Federation of Bombay Retail Cloth Dealers' Associations have represented to my Committee that the profit margin allowed to the retail trade under the existing provisions governing the distribution of cloth is not adequate and that consequently the interests of the retail traders are adversely affected. It may be recalled that under the allocation of the profit margin as it stood before 15th of January 1945, the wholesalers were allowed to charge 4 per cent on ex-mill price, the remaining 16 per cent being thus available to the retail trade. This basis was revised following the introduction of a new class of wholesalers, viz. class "B". Between the two classes of wholesalers, class "A" and class "B", a profit margin of 9 per cent was allowed, thus reducing the share of the margin of the retailers to 11 per cent.

It has been pointed out to my Committee that having regard to the substantial reduction in the trade turnover and to the difficulties in getting regular and timely supplies, the retail trade is finding the present basis of margin allowed to it extremely inadequate. It is significant to point out that, when under the previous basis a margin of 16 per cent was allowed to the retail trade, Government must have done the same after examining the financial working of such trade interests, their charges and costs and thus satisfying themselves that the percentage in question, allowed to the trade such margin as might be deemed to be reasonable and fair.

My Committee have to request Government to examine the above grievances of the retail trade and the turnover and expenses of each class of trade should be taken into consideration and the profit margin adjusted accordingly so that all the interests concerned in the various stages of distribution get a fair and square deal. Incidentally, it may be clear that in the above recommendation of theirs, the Committee should not in any way be understood to be making any suggestion for increasing the all-in margin of 20 per cent. The question is only one of adjusting the share of the different classes of traders participating in the distribution within the existing limit of 20 per cent.

It is hoped that Government will be pleased to give this matter very early and sympathetic consideration.

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## APPENDIX 94

### Supply of Cloth to Ready-made Clothes Manufacturers.

*Letter No. 2728, dated 5th October 1945, from Chamber to Provincial Textile Controller.*

The Bombay Clothes Manufacturers' Association have drawn the attention of my Committee to the difficult position in which manufacturers of

ready-made clothes and garments in the city are placed because of the absence of any provision for supplying them with cloth for meeting their manufacturing requirements. According to the information placed before them, my Committee understand that there are about 200 manufacturers of ready-made clothes in Bombay and they employ about 2,000 workmen. They make ready-made garments like coats, shirts, children's wear, etc. and these are very popular with the middle-class people, and particularly the workers. After the cloth rationing was introduced, the manufacturers are not getting any supplies of ration cloth ; the distribution scheme under the rationing arrangements has not taken note of, and provided for, their requirements. My Committee would like to bring the grievances of this trade to the notice of Government. It is requested that Government will be pleased to look into the matter and let them know as to what steps they propose to take with a view to ensuring that the large number of workmen engaged in this trade are not thrown out of employment.

*Letter No.* 361|BC, *dated 20th November* 1945, *from Provincial Textile Commissioner, to Chamber.*

With reference to your letter No. 2728, dated the 5|6th October 1945, I have the honour to forward extract item 4 of the minutes of the meeting of the Standing Committee of the Food Advisory Council, held on 7th November 1945, and to state that Government accepts the recommendations of the Standing Committee.

COPY of extract item 4 of the minutes of the meeting of the Standing Committee of the Food Advisory Council held on the 7th November 1945.

"Item 4. The Committee considered a request from the Indian Merchants Chamber for the supply of rationed cloth to manufacturers of ready-made garments.

After some discussion the Committee recommended that the Indian Merchants Chamber might be informed that at this stage having regard to the supplies of rationed varieties of cloth, Government was not in a position to make any supplies to manufacturers of ready-made garments. The matter would however be reconsidered in due course. Meanwhile it was open to such manufacturers to use non-rationed varieties of cloth for the purpose of their business."

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## APPENDIX 95

### Kathiawar Scheme for Cloth Distribution.

*Letter No.* 2852, *dated 17th October* 1945, *from Chamber to Textile Commissioner, Govt. of India.*

I am directed to refer to the difficulties experienced by the Kathiawar mills and their quota holders under the Cloth and Yarn Supply Scheme to

the States of Western India and Cutch. The genesis of the difficulty is that the cloth distribution scheme formulated in the interests of equitable distribution of cloth in Kathiawar and issue of movement and export permits for the disposal of surplus stock to the deficit areas, has not functioned effectively and has resulted in the accumulation of large stocks of cloth in the hands of the mills and their quota holders there. The main points leading to the present unhappy situation regarding the collection of huge stocks in Kathiawar are presumably as under :

Sometime in September 1944, the above Scheme was decided upon to operate in Kathiawar with the object of regulating the distribution of cloth manufactured by the mills there, and the disposal of the surplus production to deficit areas by the issue of movement permits and export permits. We are given to understand that a long time elapsed before the Scheme was actually brought into operation. The result of the delay in the functioning of the Scheme was the accumulation of large stocks of cloth in the hands of the mills as also of their quota holders. My Committee presume that for one reason or another, the Scheme was brought into disrepute by allowing details to be worked out by the authorities who had not the necessary experience of putting such a Scheme into operation. My Committee would like to make a passing reference that by the defective working of the scheme several deficit areas might have been deprived of the urgently required cloth supply, while Kathiawar had surplus stocks which could not be absorbed there. In view of the present position of cloth supply in India in deficit areas, it is urged that Government will without loss of time review the functioning of the Kathiawar Cloth Distribution Scheme and make such revision and modification as would encourage speedy disposal of the surplus stocks in Kathiawar. Further my Committee feel that it will greatly help proper distribution and disposal of cloth supplies in Kathiawar, if Government invite association of normal trade channels in the arrangement made for handling and distribution of such supplies. The practical experience of the trade may well be taken advantage of and their assistance secured in the interests of proper functioning of the Scheme.

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## APPENDIX 96

### Supply of Requirements of Gauze, Lint, etc. for Hospitals

*Letter No.* 3066, *dated* 12*th November* 1945, *from Chamber to Additional Textile Commissioner.*

The attention of my Committee has been drawn to a Notification issued by you requiring all general and private hospitals to apply to the office of the Textile Commissioner for their requirements of supplies of Gauze, Lint, Bandage cloth, Mosquito netting etc., giving their average monthly needs. In this connection, my Committee would like to have fuller information regarding the exact scope and object underlying this procedure and to know if it is intended that in future the entire work of distribution of

supplies of these articles should be confined to the agency of Government or is the enquiry only with a view to find out the total demand for the articles and make arrangements for allotment of supplies adjusted to such demands, the actual work of distribution being carried on by the usual trade machinery ? It is relevant to point out that there are factories manufacturing Gauze, Lint, Bandage cloth and other hospital requirements and they have hitherto been meeting the needs of hospitals and other institutions on terms and conditions negotiated on a basis of mutuality between the supplier and the purchaser. It is hoped that Government have no intention to interfere with such direct arrangements and that the present move is only intended to ascertain the exact demand with a view to proper arrangements being made for supplies to meet the same.

While on this, my Committee would also refer to the apprehensions entertained by manufacturers regarding the possibility of Government meeting these requirements from supplies of imported gauze, lint, bandage cloth etc., which are now rendered surplus on account of the cessation of hostilities. My Committee would like to have an assurance that these fears are not justified and that Government will see to it that the arrangements made for distribution do not in any way prejudice the interests of Indian manufacturers. It is requested that you will be pleased to send a detailed reply explaining the main purpose underlying this procedure.

*Letter No.* CYC-8-GLB, *dated* 15*th November* 1945, *from Department of Industries and Civil Supplies to Chamber.*

In reply to your letter No. 3066 dated 12th November, 1945, I have the honour to invite your attention to this Office press note dated 13-11-1945 (copy enclosed) from which you will observe that Mills are free to sell Gauze, Lint, Bandage Cloth and Mosquito Netting to any dealer possessing the necessary licence.

2. It is hoped that these items will reach the consumer through the normal trade channels, thus meeting the point raised in the first para of your letter under reply. A further communication will follow with regard to the second paragraph thereof.

PRESS NOTE

Bombay, 13-11-45

The Textile Commissioner has now permitted the mills to sell handkerchiefs, mosquito netting, gauze, lint, bandage cloth, tape, newar and canvas to any licenced cloth dealer. Consumers and others interested need not hereafter approach the Textile Commissioner to the Government of India in order to obtain the above items. If supplies are not available through the normal trade channels, the assistance of their local textile authority may be sought.

## APPENDIX 97

### Movement of Mosquito Netting from C.P. to Bombay.

*Letter No. 2851, dated 17th October 1945, from Chamber to Textile Commissioner, Govt. of India.*

I am directed to address you in connection with the difficulty experienced by the distributors of the Bengal Nagpur Cotton Mills' nettings in securing priority permits from your office for the purpose of sending their nettings outside the Central Provinces where the mills are situated.

The entire output of the Mills was reserved for war requirements during war time. The Government of India, however, have now cancelled their outstanding orders with the Mills and therefore the mills are in a position to supply the nettings outside their province as well.

An application from the distributors to secure transportation permit to bring the goods in Bombay was refused on the ground that Bombay was situated in a surplus province and therefore the permit asked for could not be granted. My Committee feel that though technically the authorities are entitled to refuse the permit on the ground as stated above, the conditions have now changed since the termination of hostilities and therefore there should be no objection in allowing a category like the nettings to go out of the province as the same is being widely used by the public in all the provinces for protection from mosquitos, which have been responsible for spreading malaria. Besides my Committee are given to understand that since the cancellation of the war orders the material is in surplus and therefore could be sent outside the Province without creating any difficulty in meeting the demands of the province itself. It is, therefore, urged that the technical objection against issuing permits for bringing goods into a surplus area may be waived in the case of the nettings and that the distributors of the nettings, Messrs. Shanghvi Modi & Co., Bombay, be granted the necessary permits for bringing the material into Bombay.

*Letter No. CX2(15A), dated 8th November 1945, from Department of Industries and Civil Supplies to Chamber.*

With reference to your letter No. 2851 of 17th. Octr. 1945 regarding the movement of mosquito netting of the Bengal Nagpur Cotton Mills, we have no objection to these moving out of the C.P. to any of the other deficit areas provided the provincial authorities in C.P. agree.

As regards bringing the goods to Bombay, it is regretted that this cannot be permitted. This is not refused on any technical grounds, but on the common sense view of carrying "coals to New Castle". Bombay City produces sufficient netting for its requirement and in these days of rationalisation of distribution, it would be unreasonable to allow such nettings to move to Bombay under these circumstances.

## APPENDIX 98

### Distribution of yarn in Sangamner

*Letter No.* 1057, *dated 20th April* 1945, *from Chamber to Provincial Textile Controller, Bombay.*

The Sangamner Merchants' Association, which is affiliated to this Chamber, has forwarded to my Committee a copy of the letter No. 531 dated 6th April 1945 addressed to you on the question of supply and distribution of yarn for sale to the weavers in Sangamner. The facts of the case, as placed before my Committee may be briefly stated. It would appear that representatives of the said Association, which included yarn merchants, had seen you in the matter of arrangements for distribution of yarn to weavers in Sangamner. You had advised the formation of a Union of yarn merchants and weavers of that place, with a view to the Union making the necessary application for the supply of yarn required in that area. Accordingly, a Union was formed and the District Magistrate of Ahmednagar was requested to arrange for the distribution of supplies through that channel.

The Union however was in reply informed that the North Central Division Association, Ahmednagar, had been requested to open a depot at Sangamner to distribute yarn to the weavers direct. This procedure has naturally deprived the yarn merchants of that area of their legitimate business. The North Central Division Association, which has been entrusted with the distribution work is not normally concerned with the yarn trade of Sangamner. My Committee have always represented to the authorities that in any arrangements that may be made in connection with regulating supply of goods as part of measures adopted by Government in enforcing their scheme of control, care should be taken to see that the existing channels of trade are preserved and that the machinery of such channels are fully utilised for the purpose. It is not fair that the yarn merchants of that area are deprived of their business, to which they have been normally accustomed, by entrusting the distribution to an outside agency, which had no share of the yarn business of Sangamner in the past.

My Committee request you to please look into the matter and see that the arrangements evolved for the distribution of yarn utilise fully the services of the existing channels of trade in that area.

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## APPENDIX 99

### Distribution of Yarn imported to Surat

*Letter No.* 2314, *dated 6th September* 1945, *from Chamber to Provincial Textile Controller.*

I am directed by my Committee to address you in regard to the change made recently in the arrangement for the distribution of yarn imported into the city of Surat.

The Surat Yarn & Silk Merchants' Association, having on its register members who are dealers in yarn and silk of long standing, have represented to my Committee the injustice involved to its members due to the change in the arrangements for the distribution of yarn imported into Surat. The facts of the case would appear to be that till very lately the members of this Association were chiefly responsible for the regular supply and distribution of yarn to weavers. Even after the promulgation of the Cotton Cloth and Yarn Control Order, Government made arrangements for the distribution of yarn to the weavers through the members of this Association, and with the willing co-operation of the Association the scheme worked very satisfactorily. Suddenly, however, the local authorities dispensed with this arrangement without assigning any reason for their action and entrusted the work of the distribution to a newly constituted co-operative society. It would also appear that this Society has not on its roll a great majority of the weavers.

Government have now and again reiterated their policy that it was not their intention to disturb the normal channels of trade and their avowed object was to see that the business was maintained as far as possible in the hands of those to whom it legitimately belonged. My Committee would, therefore, feel obliged if you will be pleased to let them know the reasons which prompted the local authorities to disturb the arrangement for the distribution of yarn in Surat, which has resulted in throwing out of their normal business the members of the Surat Yarn & Silk Merchants' Association.

*Letter No.* 112|BY|81637, *dated 25th October* 1945, *from Provincial Textile Controller to Chamber.*

With reference to your letter No. 2314, dated the 6th September 1945, I have the honour to state that Government has carefully considered the request of the Surat Yarn and Silk Merchants' Association, Surat and do not think it fit to interfere into the present arrangements for the distribution of yarn in Surat District.

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## APPENDIX 100

### Distribution of Dhoties and Sarees

*Letter No.* 1025, *dated 17th April* 1945, *from Chamber to Provincial Textile Controller.*

My Committee have seen the details of the Government scheme for distribution of mill-made Dhoties and Sarees as published in the press. In this connection, it has been pointed out to them that the proposal and decision to allot and give only one pair of Dhoties and one pair of Sarees to the head of a family do not take into account the practical requirements of the situation. There may be families consisting of quite a large number of persons. It is inconceivable how the needs of all the members could be met

out of one pair of Dhoties and one pair of Sarees for the half year. Moreover, it is also significant to mention that there are a large number of persons who by habit and custom do not require Saris or Dhoties for their personal use, and yet those people will also be equally entitled to get the allotted pairs just because they happen to hold Ration Cards as heads of families in their name. It is very difficult to understand the rationale of the scheme of distribution as at present conceived. My Committee would like to know the circumstances under which Government thought it fit to introduce such a scheme which *prima facie* does not appear practical or does not seem to have taken into account the requirements of the situation. They would further like to know as to when Government expect to be able to modify the scheme with a view to making it conform to the needs of the situation.

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## APPENDIX 101

### Distribution of Chinese Raw Silk

*Letter No.* 1575, *dated* 23*rd June* 1945, *from Chamber to Department of Industries and Civil Supplies.*

I am directed to draw the attention of Government to the recently released supply of Chinese raw silk to the Yarn Merchants' Association, Bombay, for distribution. In this connection the Raw Silk Merchants' Association, Bombay, have represented to my Committee that the arrangement under which the Yarn Merchants' Association is entrusted with the work of distribution is not only objectionable but is also unfair to that Association. As you are aware, the Raw Silk Merchants' Association have already represented this matter to Government.

While my Committee have nothing to say against the Yarn Merchants' Association, which is also affiliated to this Chamber, they feel that the work of distributing such raw silk should have been appropriately entrusted to the Raw Silk Merchants' Association, and not to the Yarn Merchants' Association. The Raw Silk Merchants' Association has been established now for many years and is, therefore, more competent to discharge the work of distribution satisfactorily, in a trade with which it has been connected all along. My Committee would like to draw the urgent attention of Government to the fact, and that is that the Yarn Merchants' Association is not the body which is really concerned with the activities connected with raw silk. All the activities connected with raw silk come really within the purview of the Raw Silk Merchants' Association, and it has, therefore, to be recognized that that Association should, in justice and equity, form the usual channels of trade through which raw silk should be distributed. My Committee, therefore, request Government to be pleased to recognize the just claims of this Association and to see that the work of distributing raw Chinese silk is entrusted to the Raw Silk Merchants' Association.

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## APPENDIX 102

### Distribution of Controlled Woollen Goods

*Letter No. 1284, dated 24th May 1945, from Chamber to Department of Industries and Civil Supplies.*

The Cawnpore Mills Depot, Bombay, a Member firm of this Chamber, has drawn the attention of my Committee to the existing arrangements for the distribution of controlled woollen goods and to the injustice which has been done to their interests thereby. The facts of the case may be briefly stated. Government have appointed in Bombay certain parties as recognised dealers for the sale of controlled woollen goods. The Cawnpore Mills Depot, owning a large and well-conducted retail establishment, has not been selected for the purpose, although they had made repeated representations to the authorities concerned in that connection. The Depot in question have been retail dealers in woollen materials and fabrics since a number of years. They have direct connections with leading manufacturers of woollen goods such as the Cawnpore Woollen Mills, Ltd., the New Egerton Woollen Mills, Ltd., for a period nearly of 50 years and they are well-known in the City as dealers and distributors of woollen goods. On the other hand, some of the dealers selected for the purpose by Government are, according to information placed before my Committee, comparatively new-comers; some of them again are new to the woollen trade; a few were mainly wholesalers and had no retail establishment for the sale of woollen materials. Thus, the main grievance of the Cawnpore Mills Depot is that, although by virtue of their past position in the trade and by reason of their efficient organisation, which they have built up and are maintaining, they are entitled to be placed in the list of dealers recognised for the distribution of controlled woollen goods, Government have overlooked their claim and at the same time enlisted in the distribution machinery parties who are comparatively new and whose claim for past share in the trade is not equally strong.

My Committee have all along been urging upon the Government that in any official arrangements that are made with a view to regulate and control distribution of essential articles of civil use, during the present emergency, the existing channels of trade should be fully preserved and their services utilised as far as possible. They believe that Government have also accepted this as a matter of general policy. From the available facts, it is obvious that the Cawnpore Mills Depot have a legitimate grievance in their not having been included in the list of recognised dealers for woollen goods, and it is in the fitness of things that Government should take early steps to rectify this omission. It will be appreciated that the steps taken by Government for regulating the distribution of controlled goods should not result in arbitrarily cutting out established interests and depriving them of their share of trade in lines which they have built up by past years of service and attention.

*Letter No.* LD|W|15, *dated 7th June* 1945, *from Department of Industries and Civil Supplies to Chamber.*

Please refer to your letter No. 1284, dated the 24th May 1945 on the above subject addressed to the Secretary, Government of India, Department of Industries and Civil Supplies, New Delhi.

1. Supplies of controlled woollen goods being rather short it has been found necessary to restrict the number of Recognised Dealers at the very minimum. Under these circumstances it is only essential that some *bona fide* firms be left out and Messrs. Cawnpore Mills Depot happen to be one.

3. We fully realise the suitability of Messrs. The Cawnpore Woollen Mills Depot and have already informed them that their case will be sympathetically considered in any further extension of the scheme and we would repeat that assurance to you also.

4. We have all along endeavoured to appoint only such persons who have had substantial dealings in Woollen Goods of Indian Manufacture before the War and therefore your remarks that some of the dealers appointed are new comers are not understood. Would you please furnish us with names of dealers who have had no dealings in woollen goods before the War and have been appointed ? On receipt of this information the matter will be looked into.

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## APPENDIX 103

### Control of prices of Cotton Seeds

*Letter No.* 1028, *dated 17th April* 1945, *from Chamber to Finance Department, Govt. of Bombay.*

I am directed to address you in connection with the fixing of prices of cotton seeds in the Presidency.

Generally the prices of cotton seeds should be known to the trade in the beginning of the season, i.e. sometime during the month of December before the season commences with a view to enable the ginneries to regulate their purchases of cotton on the basis of the prices fixed for cotton seed.

During the current year, my Committee are given to understand, Government fixed the price of cotton seeds as late as March when the season had already begun and big purchases had already been made. My Committee are also given to understand that the interests concerned had drawn the attention of Government to the urgent need of fixing the prices of cotton-seeds much earlier before the season began. In spite of such a request, Government continued to delay the fixing of the prices till the middle of the season when purchases had already been made at high rates, as a result of which the trade concerned was put to a considerable loss consequent upon the disparity between the high rate of purchases and the rate of cotton seed fixed by Government, viz : Rs. 40/- per kalsi.

While my Committee appreciate the action of Government in fixing a low rate for cotton seed at Rs. 40|- per kalsi in view of the importance of cotton seeds as cattle food, they would like to draw the attention of Government to the serious difficulties in which the trade was placed by the fixation of these prices in the middle of the season, after a large part of the cotton crop had already been marketed, and the ginners had to make their purchases of Kapas on the basis of the prevailing prices of cotton-seed. The ginners had made several representations to the District Magistrates concerned with regard to the timely fixation of the prices of cotton-seed if it was the intention of Government to so fix these prices. The fact that the Government did not take any steps in that direction led the ginners into the belief that the prevailing market prices were the prices which would be the normal prices for cotton-seed during the season and the fixation of prices by Government at the level of Rs. 40|- per Kalsi put the ginners into serious losses. My Committee would point out that the action of Government in fixing the prices late in the season has caused serious dislocation in the trade, which could have been avoided if only Government had brought in the control at the beginning of the season.

My Committee would, therefore, urge upon Government that in future it should be the policy of Government to so regulate its control of prices in general that they cause the least amount of hardship to the trade and not as in the present case put the trade into serious difficulties. This is essential for the orderly marketing of crops in general.

My Committee are also given to understand that there is a wide disparity between the prices of cotton-seed prevailing in the Native States adjoining British territory and the British territory itself. Raw cotton is naturally drawn to those markets where it fetches a better price ; the Native States' ginners are in a position to offer better prices in view of the higher prices of cotton-seed in their territory. It is, therefore, essential that the prices of cotton-seed in adjoining territories should be uniform after making due allowance for cost of transport and such other factors. It is urged that the Government of Bombay will make efforts in the above direction and will in future bear in mind the above suggestions.

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## APPENDIX 104

### Import of Rayon and Cotton Yarn and Piecegoods from U.S.A.

*Letter No. 2286, dated 5th September 1945, from Chamber to Deputy Chief Controller of Imports.*

Messrs. Haji Hasan Dada, Bombay, a member of this Chamber, have represented to my Committee the difficulties they are experiencing in the matter of license for the import of rayon and cotton yarn and piecegoods from U.S.A. The facts relating to their case may be briefly stated : The firm in question was, before the war, importing rayon and piecegoods of

all descriptions from Japan on a considerable scale. With the commencement of hostilities, their imports have been practically stopped and they have also not been able to get facilities for trade with any alternative sources. As a result of representations made to your office they were given licenses for import of 140,000 lbs. of rayon and 183,000 lbs. of cotton yarn, during the first half of the current year. As corresponding export licenses were not available to the shippers at the other end from the authorities of the U.S.A., these licenses could not effectively be used. They have, therefore, approached you, it seems, with a request for extending the period of licenses to the second half of the current year. It appears that, from advices received from shippers at the other end, the position in regard to permission for export from U.S.A. has improved. It is requested that you will be good enough to consider their application for extension of the license period favourably.

Regarding the import of cotton piecegoods, it appears that the Department has fixed the financial year 1941-42 as the basic period for purposes of fixing quotas for the grant of import licenses. During that particular period, however, due to war developments their share of imports from Japan, their normal source, was practically nil. According to the information furnished to my Committee, Japanese suppliers were not able to send any goods to India due to unfavourable prices and other factors as a result of the conditions created by the war. Thus, although the firm in question had a substantial share of imports previously, they would not seem to be entitled to a quota, just because during the period chosen as the basis, their imports were practically negligible, for reasons beyond their control. On the other hand, during the previous year, i.e. financial 1940-41, they had imported from Japan as much as 25,57,750 yards of cotton piecegoods. It is felt that the extraordinary circumstances prevailing in the basic year 1941-42, so far as imports from Japan were concerned, should be taken into account and prospective importers should be given the choice of claiming the quota for imports on the basis of their trade in the previous or any other suitable financial year. Thus the request of Messrs. Haji Hasan Dada is—

firstly, their previous trade both in rayon and cotton yarn and piecegoods from Japan should be taken into account for purposes of giving them import licenses and quota for imports from U.S.A.,

and

secondly, that for the purposes of importing cotton textiles, the basis period fixed by Government should not be strictly adhered to, but that the firm should be given the choice of any prior period in which they were more favourably placed.

It is requested that you will be good enough to look into the matter and consider the case of the above firm favourably.

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## APPENDIX 105

### Import of Tinned and Bottled Provisions

*Letter No. 2727, dated 5th October 1945, from Chamber to Department of Food.*

The attention of my Committee has been drawn to the difficulties experienced by importers of and dealers in tinned, bottled and refrigerated foodstuffs and provisions under the existing scheme of imports of these articles. Early in 1943 Government restricted imports of tinned and bottled provisions. Having regard, however, to the acute scarcity of such articles in the country, a scheme was evolved and a Food Panel for Import to advise the Regional Food Controller in the above matter was instituted. Under this scheme, 13 importing houses (9 European and 4 Indian) are authorised and allowed to import limited quantities of tinned and bottled provisions from countries like Australia, New Zealand, Africa, etc. There has, however, not been any definite policy or principle on the basis of which such firms and houses were selected. My Committee are given to understand that such importers were chosen without taking into consideration the claims of other genuine importers; and a large number of Indian interests who had substantial imports in the past have been left out.

It is conceivable that, with the improvement in the supply position in the exporting countries and with more shipping space available, larger quantities of tinned and bottled foodstuffs may be available for import into this country. It is unfair that the imports should be confined to the 13 parties at present selected under the Panel system. As in all other import trades, if control is to be continued, imports should be linked to the pre-war share of the trade and all importers, who had imports in the basic period, should be given quotas definitely related to the trade in that period. The continuation of the present position would mean the creation of vested interests of a privileged few in the import trade for these articles.

It is requested that Government will be pleased to look into this matter and evolve a scheme for licensing of imports which would remove the above element of injustice and give fair opportunities to all those who were previously in the trade.

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## APPENDIX 106

### Purchases of Groundnuts for the UNRRA

*Telegram, dated 17th September 1945, from Chamber to Commerce Department.*

Committee Indian Merchants Chamber would like to have detailed information regarding arrangements made for purchases of oilseeds for requirements of the UNRRA. They were given to understand by the Honourable the Food Member that supply of seeds for export on account

of the UNRRA would be allowed mainly in the form of oil and that it was intended to stop exports of seeds as such. It was further understood that the Indian purchases for meeting the requirements of the UNRRA would be made by Government of India. Committee learn that purchases of oilseeds are at present being made by British Ministry of Food for UNRRA. If above information is correct Committee consider position extremely unsatisfactory. They urge and reiterate that exports on account of UNRRA should be allowed only in the form of oil and not as seeds and that purchases for that organisation in India should be made by Government of India themselves and not by the British ministry of food.

*Letter No.* RCM-1340|45, *dated 30th October* 1945, *from Commerce Department to Chamber.*

I am desired to refer to your telegram dated the 17th September 1945 on the above subject and to say that the only oilseeds the Government of India have agreed to supply to UNRRA are Groundnuts. Supplies of groundnuts for UNRRA come out of H.M.G.'s quota which is allotted in the form of kernel. Under the present arrangement H.M.G.'s quota of groundnuts are procured by their representatives in this country.

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## APPENDIX 107

### Purchase of Oilseeds by the British Ministry of Food, London

*Letter No.* 1738, *dated 10th July* 1945, *from Chamber to Commerce Department.*

The British Ministry of Food are, under the existing arrangements, the sole purchasers of oilseeds allowed for export from this country. The Agents of the Ministry were making purchases of their requirements from all shippers upto now. With the resumption of trading with certain Continental Ports, it appears that some of the purchases made on behalf of the Ministry of Food were allotted for shipment to these ports. In this connection, my Committee are given to understand that the British Ministry of Food have issued instructions to their agents here that the shipments to Continental Ports should be allotted only to three firms, Messrs. Ralli Bros., Ltd. Messrs. Louis & Dreyfus, Ltd., and the East Asiatic Co. Ltd. They would like to be advised if the above information is correct; and, if so, whether the Government of India have approved of that arrangement.

With the improvement of the shipping position and restoration of more normal conditions of trade with Continental Ports, there would be a larger volume of exports of oilseeds to those markets. My Committee would like to have full information as to the steps proposed to be taken by Government in allowing and regulating these exports. In any case, it is essential to ensure that Indian exporting interests are not deprived of their legitimate share of the business by the creation of any artificial conditions of trade

giving exclusive rights to certain selected parties. In order to enable my Committee to examine this question in all its aspects, they would like to be informed if :

(i) exports to Continental ports are also to be regulated through and done on behalf of the British Ministry of Food, London ; and

(ii) if such exports are to be allotted through the Ministry of Food, is the agency selected for the purpose to be confined to selected parties as referred to in the above report, or all recognised shippers will be given fair and equal opportunities for catering of that trade.

*Letter No.* 128-CW(9)44, *dated 24th August* 1945, *from Commerce Department to Chamber.*

With reference to your letter No. 1738, dated the 10th July, 1945, I am directed to say that the Government of India understand that your Chamber discussed with the Chief Controller of Exports, during his last visit to Bombay, the issues arising out of purchases of oilseeds by His Majesty's Government (Ministry of Food) and that he assured you that, while purchases will have to be effected through the Ministry of Food until such time as normal conditions are restored in liberated Europe and reversion to ordinary commercial transactions becomes possible, there is no question of trade with Europe being confined to a few selected firms. I am to add that all important traders interested in export of oilseeds have under the existing arrangements adequate opportunity for participating in export trade with Europe.

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## APPENDIX 108

### Supply of Fuel Wood to Sugar Factories

*Letter No.* 3317, *dated 10th December* 1945, *from Chamber to Department of Food, New Delhi.*

Messrs. Walchandnagar Industries, Ltd., who own a sugar factory in Baramati, have placed before my Committee the difficulties they are experiencing in regard to getting supplies of fuel-wood for their sugar factory. The facts of the case may be briefly explained : Having regard to the existing unsatisfactory coal supply and transport position, the Government of India made allotments to sugar factories of supplies of fuel-wood for their use. The needs of the Walchandnagar Industries for their factory in Baramati were accordingly scrutinised and an allotment of 2,591 tons of fuel-wood was sanctioned to supplement the coal requirements of that factory. The Food Department communicated the above allotment to the Supply Commissioner, Government of Bombay, by their letter No. S.S.-520(22)|45, dated 9th November 1945, and recommended that the Provincial Government should take steps to arrange for the said supply being made available to the factory.

The Government of Bombay, however, informed the Company that in view of the difficult fuel-wood position in the Bombay Presidency, it was not possible for them to arrange for this supply to the factory in question. This decision of the Provincial Government it appears, has also been communicated to the Government of India. The Provincial Government further expressed its inability to give any supplies from the allotment secured for the Province from the Hyderabad State ; or even to make a special recommendation in favour of the factory for securing the supply directly from that State. Thus, the factory is placed in a position of not being able to get its requirements of fuel-wood and consequently there is the risk of its manufacturing activities getting seriously disorganised and crippled.

Production of sugar, at this juncture, has to be maintained to the full capacity. It is an essential civil necessity, next in importance only to food-grains. The Government of India, in the Department of Food, have an obligation to see that the sugar factories get the necessary facilities and materials for carrying on manufacturing operations to their full capacity. It was, perhaps, in the discharge of that obligation that the Central Government examined the fuel needs of the various factories and made specific recommendations to the Provincial Government for meeting such needs.

In view, however, of the position taken up by the Government of Bombay that they were unable to arrange for the requirements of sugar factories, it now devolves upon the Central Government to give their immediate attention to this problem and to secure supplies from alternative sources, viz. the adjoining Indian States or other Provincial areas having a surplus supply of fuel-wood. In any event, the production of sugar in the factories concerned should not be allowed to suffer and the Central Government in consultation with the Provincial Government should evolve immediate proposals for solving this difficulty. If after a review of the position as a whole, difficulties are experienced in arranging for supply of fuel-wood in time, the Government of India will necessarily have to make good the shortage by increased allotments of coal. In short, the factories concerned should not suffer for want of fuel and it is the responsibility of the Government of India in the Food Department to see to that.

It is requested that Government will be pleased to give this matter their earnest and immediate attention.

*Letter No.* SS-520(22)45, *dated* 21*st December* 1945, *from Food Department to Chamber.*

I am directed to acknowledge the receipt of your letter No. 3317, dated the 8th|10th December 1945, on the above subject, and to say that the matter is already receiving the attention of the Government of India and arrangements are being made in consultation with the Indian Sugar Mills Association, Calcutta, to allot requisite quantity of coal in substitution to fuelwood to all such sugar factories.

## APPENDIX 109

### Inclusion of the share of Imports from Italy and Holland for purposes of Import Quota

*Letter No.* 1875, *dated* 20*th July* 1945, *from Chamber to The Chief Controller of Imports.*

I am directed to refer to the interview you had with my Committee in April last, when you had assured them that consideration would be given to the past imports from Italy and Holland in the calculation of quotas for imports of dyestuffs and that such quotas received by importers would also be standardised and would continue to be given for future importation also.

In terms of the above assurance, the special import quota for U.S.A. was granted in the period : January-June, 1945 ; but my Committee are given to understand that such a consideration was not given to importers for the period : July-December 1945. This matter was sufficiently discussed at the said interview you had with my Committee and you had agreed to give relief regarding allotment of quotas in the case of those whose main imports in the past were from Italy only. It is hoped that your Department will be good enough to give due consideration to such of the importers as have not received the July-December special quotas related to past imports from Italy.

*Letter No.* 17|Gen|132, *dated* 3*rd August* 1945, *from The Chief Import Trade Controller to Chamber.*

With reference to your letter No. 1875 dated the 20th July 1945 on the above subject, I have the honour to state that quotas for dyestuffs from the U.S.A. have been allotted for the period July-December 1945 to pre-war importers of dyestuffs from Italy and Holland. The question of allotting additional special licences will be considered in each case on receipt of applications through the Deputy Chief Controller of Imports, Bombay. It is not possible to standardise the special licences into quotas to be automatically allotted in every shipping period. The grant of special licences depends on many factors including export allocations from the supplying country.

*Letter No.* 2517, *dated* 24*th September* 1945, *from Chamber to Chief Import Trade Controller.*

I am directed to acknowledge the receipt of your letter No. 17|Gen (132)|45|4428 dated the 3rd August on the above subject. My Committee note that quotas of dyestuffs from the U.S.A. have been allotted for the period, July|December 1945 to pre-war importers of dyestuffs from Italy and Holland, and that the question of allotting additional special licences will be considered in each case on receipt of applications through the Deputy Chief Controller of Imports, Bombay. My Committee feel that the position in regard to special licences is not quite satisfactory. It is relevant to point out the circumstances under which these special licences were granted. The

quotas were fixed in relation to imports from Italy and other countries in 1940. It is common knowledge that in the said year the imports took place only for about 5 months and that the quotas therefore represented about 5|12ths of the normal intake of an importer. In order to remove the injustice inherent in that position, my Committee had suggested that the quotas should be adjusted on the basis of the imports for the 5 months for the full period of 12 months. Government, however, did not agree to the same, but suggested that they would give special licences to parties who were prejudicially affected by the existing arrangements. It is, therefore, in the fitness of things that the importers concerned should get this additional quota also as a matter of course and there should be no need for special applications for each shipping period.

My Committee request that Government will be pleased to reconsider their decision and pass orders which will have the effect of standardising the special licences into quotas to be automatically available without the parties having to make fresh applications at every stage. An early reply is requested.

*Letter No.* 17|Gen|132|45, *dated* 19*th December* 1945, *from Import Trade Controller to Chamber.*

With reference to your letters Nos. 2157 and 3166 dated the 24th September and 22nd November 1945, respectively, I have the honour to say that it is regretted that the decision already communicated to you in this office letter of even number dated the 3rd August 1945 regarding the quota for dyes cannot be altered.

As already pointed out, the grant of special licences outside quota depends upon many factors. In the shipping period July|December 1945 very few special Licences outside quota were granted for import of dyes from the United States of America. It was found that there was a very big backlog of unutilised licences for dyes issued during the preceding shipping period and accordingly it was decided not to grant any further licences outside the quota. It may, however, be pointed out that as suggested by your Chamber, a substantial increase was announced in the quota for import of dyestuffs from the United States of America during July|December 1945. Quota holders should therefore have very little cause for complaint, if no further special licences are issued.

There is a possibility of some supplies of dyes being available from Holland and Belgium. Importers may apply to the Deputy Chief Controller of Imports, Bombay before 31st January 1946, in accordance with the instructions contained in the Public Notice issued on the subject (copy enclosed for ready reference). Delay in replying to your letter of the 24th September 1945, is regretted.

PUBLIC NOTICE

It has been decided to allow imports of a limited quantity of essential goods from Belgium and Holland. Regular importers of goods from these countries should submit their applications for goods falling in Parts IV and V

of the Schedule attached to Commerce Deptt. Notification No. 23-ITC|43 dated the 1st July 1943 in the Prescribed Form direct to the Chief Controller of Imports, New Delhi, for consideration on merits. Applications for goods falling in Part II and III of the Schedule should be submitted to the respective licensing authorities. Applications should reach this office and the offices of the Deputy Chief Controller of Imports, Bombay and Calcutta before 31st January 1946. All applications should be supported by documents proving pre-war imports from Belgium or Holland and also by evidence of availability of the goods in the country concerned.

*Letter No.* 130, *dated* 14*th January* 1946, *from Chamber to Import Trade Controller.*

I am directed to acknowledge the receipt of your letter No. 17|Gen (132)45|11366 dated the 22nd December 1945 on the above subject. My Committee are extremely disappointed at the decision of Government as conveyed therein. The same involves serious injustice to the trade interests concerned.

The main point of view put forward by my Committe may be re-stated. They had stressed that importers of dyes who were in the pre-war period getting their imports from Italy and Holland should instead be given licences for imports from the U.S.A. to the full extent of their past share of the trade from the former two countries and that special licences issued to such importers should be standardised with a view to their being entitled to the additional quotas as a matter of course. In making this recommendation, my Committee had explained to Government the special circumstances which necessitated the said importers being treated as eligible for the additional quota as a matter of course. It was only with a view to equating their quota for the full period of one year as their quota figures were determined on the basis of 5 months' imports. The contention of Government that in the shipping period July|December 1945 very few special licences outside the quota were granted for import of dyes from the U.S.A., cannot, my Committee submit, apply in such cases for the obvious reason that they are not in the nature of special licences outside the quota. The suggestion that the existence of a big back-log of unutilised licences justified Government in not granting further licences outside the quota, is also, my Committee venture to submit, beside the point. Those quotas were not given to parties who were previously importing from Italy and Holland. They might have been given to importers who were not in a position to arrange supplies. My Committee understand that some of the previous importers from Italy and Holland, like Messrs. Khatau Vallabhdas & Co., had definite offers of supply during that period, and they would not have experienced any difficulty in getting the imports, if only they had been given the additional licences asked for. It is, therefore, requested that Government will be pleased to reconsider the matter and remove the injustice done to previous importers of Dyestuffs from Italy and Holland by giving them licences to the extent of the full quota represented by their previous imports.

*Letter No.* 17|Gen|132, *dated 26th January* 1946, *from Import Trade Controller to Chamber.*

I have the honour to refer to your letter No. 130 dated the 14th January 1946, and to say that I have again carefully considered the matter. I regret that I remain unable to accept the argument that the quotas allowed to pre-war importers from Italy and Holland should be based on their potential imports in 1940 instead of their actual imports in that year. I would however point out that pre-war importers from Italy and Holland are now in an advantageous position, inasmuch as private trade with those countries has been resumed and they can obtain licences for imports of dyes from those countries while at the same time they continue to enjoy quotas for imports from the U.S.A. Licences for import of dyes from Italy and Holland will be granted to pre-war importers against offers of supplies from those countries. I feel sure that your Chamber will agree that there is now no case for granting such firms increased quotas for imports from the U.S.A.

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## APPENDIX 110

**Import Trade Control and Open General Licence for Drugs and Medicines**

*Letter No.* 2559, *dated 24th September* 1945, *from Chamber to Chief Controller of Exports.*

I am directed by the Committee of this Chamber to address Government in connection with the question of the relaxation of the existing control on Indian-made medicines and medicinal preparations. The control on exports was instituted obviously with a view to conserve supplies for internal consumption in the conditions created by the war.

It has been represented to my Committee by the Indian Chemical Manufacturers Association and by individual undertakings manufacturing medicines and medicinal preparations that the supply position of Indian-made medicines in the country was comparatively satisfactory and that the time has, therefore come, when Government could without any serious risk allow exports of these preparations, thereby affording to the industry an opportunity of regaining and re-establishing itself in some of its export markets. My Committee would like Government to examine the position and allow exports of Indian-made medicines and medicinal preparations in which the country has a surplus production. It is but in the fitness of things that after taking all precautions for meeting the internal requirements, the industry should be allowed the benefit of such foreign markets in which its products are in demand. It is hoped that Government will give this matter their early attention and relax or withdraw the export control to the extent justified by the supply position.

*Letter No.* 23|Gen|136, *dated 29th October* 1945, *from Chief Export Controller to Chamber.*

With reference to your letter No. 2541 dated the 24th September 1945, I have the honour to regret that in the interests of indigenous industry it

is not possible to allow unrestricted import of all kinds of drugs and medicines from all sources. Drugs and medicines not containing spirit are imported from the United Kingdom under sponsorship arrangements and Customs Clearance permits are issued on receipt of advices from the India Office; import licences need not be obtained for them before shipment from the United Kingdom.

2. The Government of India are aware of the difficulties caused by the difference in the treatment of drugs and medicines containing spirit and those not containing spirit; and they are actively considering what should be done to remove the differences.

3. The licensing of drugs and medicines from other countries in the sterling area has been liberalised considerably inasmuch as licences are ordinarily issued on production of evidence of availability of the goods.

4. As regards imports of drugs and medicines from the United States of America a fairly high quota has been fixed. In the interests of conservation of dollars and other difficult currencies and the interests of the Indian Drugs and Chemicals Industry it is not considered advisable to lift import control on drugs and basic chemicals from the United States of America and other countries.

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## APPENDIX III

### Import of Mutton Tallow

*Letter No. 2799, dated 12th October 1945, from Chamber to Department of Industries and Civil Supplies.*

It has been pointed out to my Committee that the supply position of mutton tallow in the country is at present very unsatisfactory and that considerable difficulties are being experienced in arranging for fresh imports. This is an important raw material for the textile industry. The Indian production of tallow, as far as my Committee are advised, is comparatively very small and the extent to which substitutes could be used are also limited. Under the circumstances, if arrangements are not made to supplement the supply of imported tallow, the textile industry will experience serious difficulties in pursuing its manufacturing operations.

My Committe had in this connection consulted both the Millowners Association in Bombay and Ahmedabad regarding the position and the information about shortage in supplies and the need for replenishing them is confirmed by these two bodies. My Committee further understand that the Millstores and the Priority Assistance Committee attached to the Textile Control Board have also made suitable representations to Government, drawing their attention to the seriousness of the situation and urging early steps to secure supplies.

Australia and New Zealand are the two countries from which supplies of tallow used to come in the past. My Committee understand that owing to the severe draught which Australia experienced in 1943|44, there was a great dearth of supply of edible beef tallow in that country. Consequently, mutton tallow was used there to make up the shortage. Australia had also supplied considerable quantities of edible fat for meeting the military requirements. In view of all these circumstances, mutton tallow is in short supply in that country and India cannot expect to get her requirements of tallow from there.

New Zealand is the other source of supply. My Committee are, however, informed that the total production of tallow in that country is sold to the Ministry of Food in the U.K. and the distribution of the entire supply is therefore, in the hands of the authorities in the U.K. A good part of the available supplies of tallow from New Zealand is being taken up by the Food Council in the U.K. for meeting the internal requirements of that country. The surplus available, it appears, is proposed to be allotted to the U.N.R.R.A. for meeting the requirements of the liberated countries.

In the above view of the case, unless, therefore, Government make energetic representation to the authorities in the U.K., India will experience considerable difficulty in securing her requirements of mutton tallow. It is relevant to point out that the Textile Industry has a good war time record to its credit and was of substantial service to the Allied cause for the whole duration of the war. It is reasonable, therefore, that the claims of that industry should receive a high degree of priority with the authorities in U.K. and that they should make available sufficient supplies of mutton tallow from the quantities which they have acquired from New Zealand. It is requested that Government will be pleased to give this matter their earnest and immediate attention and to make the necessary arrangements at an early date.

*Letter No.* 65(1)TA|45, *dated 27th October* 1945, *from Department of Industries and Civil Supplies to Chamber.*

I am directed to acknowledge receipt of your letter No. 2799 dated 12th October 1945 on the above subject, and to inform you that the Government of India are making every effort to increase the supply of tallow to the Cotton Textile Industry.

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## APPENDIX 112

### Import of Stores by Indian Railways

*Letter No.* 2636, *dated 27th September* 1945, *from Chamber to Department of Industries and Civil Supplies.*

I am directed by the Committee of this Chamber to address Government in connection with the procedure now adopted for purchasing the

requirements of stores, machinery, etc. of railways in India and to state as under :

Before the war all requirements of stores, goods, etc. for the railways were met from local production and recourse to imports from foreign countries was taken only when such requirements could not be made available in the country itself. It was also the practice with the Indian Stores Department to publish every three months a statement showing the nature of orders placed and giving at the same time relevant information as to the reasons why such indents had to be placed outside the country. This salutory and healthy procedure, my Committee understood, was unfortunately abandoned during the period of war. All requirements of Indian railways were handled during this period by the Director of Railway Demands and Officers of the Supply Department; when it was deemed necessary the authorities also followed the practice to pass on indents to the Controller of Railway Stores Imports for such goods as were not available in India.

With, however, the cessation of hostilities and the curtailment in the personnel of the Supply Department, it is understood there has again been a modification in the arrangement lately followed and all orders for stores to be imported from abroad are passed on to the office of the Controller of Railway Demands or in the alternative to the Controller of Railway Stores Imports. My Committee beg to point out in this connection that the Controller of Railway Stores Imports is familiar only with the usual channels of importation from the United Kingdom and he may not necessarily be conversant with the production of stores in the country. If all orders for stores were to be placed with the U.K., my Committee feel, that the local idustries engaged in the production of railway stores are likely to be seriously affected. It should be the recognized policy of the Government of India to place orders for the requirements of the railways, in India itself, and to encourage the manufacture of such stores here, and recourse to foreign imports should be had only when the stores could not be available in the country. With this end in view my Committee beg to suggest that a machinery be devised, whereunder indents with foreign countries could only be placed in cases of absolute necessity and in cases where such articles may not be available in India.

The Committee in conclusion beg to suggest that the whole question needs serious consideration at the hands of the Department of Industries and Civil Supplies and it would greatly relieve the anxiety of those engaged in the production of stores and machinery, if the Government of India were to issue a press-note or a communique explaining the procedure and policy of Government for purchasing stores required by Indian Railways.

*Telegram, dated 9th October* 1945, *from Chamber to Department of Industries and Civil Supplies.*

Committee Indian Merchants Chamber invite Government's attention to their communication number 2636 dated 27th September regarding Government policy for purchase of stores required by Indian Railways.

Committee had emphasised that as matter of policy it should be laid down that Government should place their orders in India only for stores required by Railway. View encouraging manufacture of such stores here and recourse to foreign imports should be made only when indigenous stores are not available or could not be made here. Committee understand position of Indian factories manufacturing stores seriously threatened owing to lack of patronage. Committee earnestly request that Government will be pleased to look into this matter and issue strict instructions to purchasing authorities to confine their purchases to Indian made stores.

*Letter No.* S-II-18|36, *dated* 17*th January* 1946, *from Department of Industries and Civil Supplies to Chamber.*

I am directed to refer to the correspondence ending with this Department's letter No. 6067-S-II|45, dated the 26th November 1945 on the subject quoted above and to inform you that the newly created Department of Industries and Supplies will be procuring all stores for Railway demands and that every attempt will be made to get as much of the stores as possible from indigenous sources.

*Letter No.* 413, *dated* 12*th Feb.* 1946, *from Chamber to Department of Industries and Civil Supplies.*

I am directed to acknowledge receipt of your letter No. S-II-18(36) dated the 17th January 1946 on the above subject. You observe therein that "the newly created Department of Industries and Supplies will be procuring all stores for Railway demands and that every attempt will be made to get as much of the stores as possible from indigenous sources". My Committee, however, feel that the qualification "as much as possible" is very vague and elastic and the policy which Government propose to pursue in this matter requires to be more precisely defined. Government should lay down definite instructions that stores for railway demand should be procured from Indian sources and that imported assistance should be resorted to only in exceptional circumstances where, after making every effort, Government find that there are no prospects of obtaining the same from indigenous manufacturers and suppliers. That policy should also aim in encouraging Indian manufacturers to attempt the manufacture of new lines, the supplies of which may not at present be manufactured in the country. In short, Government should assume it as their own obligation to explore ways and means of meeting almost the entire field of their requirements from supplies manufactured in the country.

Under the policy in force previously, Government had laid down instructions regarding the grant of a price preference wherever necessary in the matter of purchase of Indian-made stores. My Committee presume that this policy is still in force. They would like to know the extent of the price preference that is generally being accorded to Indian manufactured stores in order to enable them to successfully tender for the requirements of Government in competition with foreign sources of supply.

The old Indian stores Department was also periodically publishing a list of instances in which the lowest tenders were not accepted, which included information about orders placed abroad and the special circumstances under which such orders had to be placed outside the country. My Committee urge that Government should resume publication of this statement so that manufacturers and the public in this country may have full information about such instances with a view to efforts being made here for meeting such requirements in the future.

My Committee request that Government will be pleased to give the above suggestions their sympathetic consideration and inform them as to what action they propose to take in dealing with the matter.

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## APPENDIX 113

### Proposed import of Asphalt for Road Construction in India

*Telegram, dated 17th September 1945, from Chamber to War Transport Department.*

Committee Indian Merchants Chamber understand that it is decided to place large orders aggregating to crores of rupees for importation of asphalt for construction of roads in the near future. If information is correct it will be singularly unfortunate that such materials for construction of roads should be imported from outside. Committee have no doubt that Government are aware that cement roads give very good service are durable and their life is comparatively speaking longer than roads in which asphalt is used. Moreover use of cement will give great encouragement to the development of and larger production by cement industry in country. Committee would also like to bring to the notice of Government that definite and strong views were expressed by nonofficials at the transport policy Committee meeting that all materials needed for construction of roads should be indigenous and made in India and such materials should always get first preference. In view of what is stated herein Committee would request that Government of India should assure them that there is no such intention to place orders for asphalt running into crores for their schemes about road constructed in country. Committee would appreciate an early reply to this communication.

*Letter No. PL-60 (20), dated 27th September 1945, from War Transport Department to Chamber.*

I am directed to refer to your telegram of the 17th and your letter No. 2407 of the same date confirming the same, and to say that the Government of India are unaware of any plans involving the import of crores of rupees worth of bitumen for road construction, but would be grateful if your Association could furnish this Department with the specific information on the point upon which your telegram was based.

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## APPENDIX 114

### Licence for import of Synthetic Stones

*Letter No.* 1398, *dated 8th June* 1945, *from Chamber to Commerce Department, Govt. of India.*

I am directed by the Committee of this Chamber to address Government in connection with the present restrictions on the import of synthetic stones from Switzerland under Government Notification No. 600 of 8-12-1944 issued by the Deputy Chief Controller of Imports, Bombay.

India was importing synthetic stones rough (uncut) before the hostilities started from Switzerland and France. These stones were cut and polished in the country by skilled labourers specialised in this art and were exported to U.S.A. in large quantities. When the War broke out, imports of these stones from Switzerland and France discontinued and the industry, as a result, had to suffer a great deal. With the change in the European situation it has been possible now to import synthetic stones from Switzerland under severe restrictions imposed by the Commerce Department Notification referred to above. It has been brought to the notice of my Committee that Government have not been liberal in giving import permits to import these stones and, therefore, the trade has been greatly affected. It may be pointed out that Switzerland is the only source from which these stones could be imported, as Government have not yet given permission to import the article under reference from France. It would therefore be desirable in the interests of the trade that the restrictions on the import of synthetic stones should be liberalised and that trade with U.S.A. be allowed to continue as it was in the past.

My Committee, under the circumstances, beg to suggest that facilities be given to importers to import large numbers of stones from Switzerland with a view to enable them to continue their trade with U.S.A. where these stones, after being polished, are exported.

*Letter No.* ITC|45, *dated 7th September* 1945, *from Commerce Department to Chamber.*

I am directed to refer to your letter No. 1398 dated the 18th June 1945 on the above subject and to say that the Government of India have given the matter their careful consideration but regret their inability to liberalise the present policy in respect of import of synthetic stones from Switzerland.

2. It has recently been decided :—

(i) to permit the import of synthetic stones (rough) from the United States of America for the purpose of being cut and processed in India and thereafter re-exported to the United States of America ;

(ii) to permit the import of limited quantities of synthetic stones from France.

and in this connection you may apply to the Chief Controller of Imports for licences or such further information as you require.

## APPENDIX 115

### Import licence for Vegetable Ghee Plants from U.S.A.

*Letter No. 1876, dated 23rd June 1945, from Chamber to The Chief Import Trade Controller.*

I am directed to address you in the matter of import licences applied for by Messrs. Rustomji Nowroji Bapasola, Bombay, for the importation of Vegetable Ghee Plants from U.S.A. the grant of which was refused till the end of the war. The facts of their case as submitted to my Committee by them are as under :

Messrs. Rustomji Nowroji Bapasola were successful in placing two orders with their Principals in U.S.A. for the supply of Vegetable Ghee Plants, one in the name of Messrs. Ravindra Mulraj Karsondas for Bedi Bunder Port in Jamnagar and the other for Messrs. Seshasayee Brothers, Madras, between March and June 1944. Your office granted them Registration Certificates Nos. 17(10-11)C.G. 45|797-798 dated 10th March 1945 intimating that the registration for their orders for the plants from U.S.A. had been accepted and instructions to issue licences had been passed. Your Department, however, intimated to the firm by a telegram dated 21st May that the import licences would be granted only after the war.

My Committee feel surprised that, after your giving them a categorical assurance about March 1945 to the effect that their orders had been registered and import licences would be issued, your Department should have issued the recent telegram countermanding the same. My Committee feel that the assurances given to them must have been based on proper considerations of availability of dollar exchange, shipping space etc. They are at a loss to understand as to what can have intervened to postpone the grant of licence till after the war, within a period of two months. While my Committee are aware that Government are slow in releasing dollar exchange, such a consideration in the case under reference could not have been the cause for such postponement, as conditions governing the dollar exchange, shipping etc., existing at the time of the registration of the orders did not undergo any change at the time of your refusing to grant such licences. On the contrary, the conditions became easier since the registration of the orders. It may be pointed out that as the war in Europe has ended and as goods are allowed to be imported freely from U.S.A. since recently, their case may be reconsidered and licences asked for may be granted. Apart from other considerations, the import of vegetable ghee plants would ease the situation in the country regarding supply of hydrogenated oils which were being imported in large quantities before the war.

*Letter No. 17(10)CG|45, dated 5th July 1945, from Import Trade Controller to Chamber.*

With reference to your letter No. 1576 dated the 23rd June, 1945 regarding issue of licences for two vegetable ghee plants to be imported through M|s Rustomji Nowroji Bapasola, I have the honour to say that subsequent

refusal to issue licences to the firm is due to a change in policy both in regard to release of dollar exchange for post-war projects and in regard to the expansion of Vegetable Ghee Industry in the country. It is, therefore, regretted that no reconsideration is possible at present.

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*Letter No. 1876, dated 20th July 1945, from Chamber to Import Trade Controller.*

I beg to acknowledge the receipt of your letter dated the 5th instant, No. 17(10)C.G.|45|4059.

My Committee note that Government admit the facts mentioned in their letter and that licences have been as a matter of fact refused to Messrs. R. N. Bapasola. It is contended, however, that subsequent refusal to issue licences, after having once promised the same to the party concerned, is due to a change in policy both in regard to the release of Dollar exchange for post-war projects and in regard to expansion of vegetable ghee industry in the country. It is because of this that Government, it is mentioned in your letter, regret that no reconsideration is possible now.

My Committee cannot accept the situation as it has developed. When you refer to the policy which was in vogue upto now and which cannot be changed, my Committee would like to know what was this particular policy with regard to the release of Dollar Exchange for the post-war projects, as also the policy with regard to the expansion of vegetable ghee industry in the country. They should also like to know what are the changes effected now both in the policy regarding release of Dollar Exchange for post-war projects and the expansion of the vegetable ghee industry. Unless my Committee are apprised of the previous policy and the changes, if any, made therein, they cannot judge whether Government were justified or not in refusing to issue licences for two vegetable ghee plants to be imported through Messrs. Bapasola. So far as my Committee are aware of the industrial situation relating to these Plants, the country still requires the importation of such plants, as the vegetable ghee industry has come to occupy a place,—and a very important place—in the economy of the country.

In this connection, it is relevant to point out that the Assistant Chief Controller of Imports by his communication dated 10th March 1945 informed the applicants that their order for the plants in question had been accepted and that the licensing side of the office had been instructed to issue a licence. It is therefore, obvious that on that date Government's policy was to afford facilities and grant licences for importation of plants in question from America. Any change of policy, if made, should have been subsequent to that. My Committee feel that even where Government, after taking into account such factors as they deemed material, find it necessary to change their policy in respect of any matter, the change on no account should be deemed to be retrospective. The effect of any such changes can only be prospective. Otherwise, commitments by private parties, *bona fide* made on the strength of assurances or undertakings given by Government in

the light of the policy in force at a particular time cannot be made good by subsequent changes in policy. In this particular case, on the strength of the assurance given by Government as referred to above, the party in question had already spent considerable sums of money in the preliminary arrangements for putting through the necessary order for the supply of the machinery. Surely, it stands to reason that they should not be put to any loss by reason of Government having at a later stage, modified their policy. In short, my Committee feel very strongly that even if there has been a change in policy, the change should not be given retrospective effect.

It would be interesting to have information if after the above date, viz. 10th March 1945, when the promise of a licence for the above party was communicated, any licence for importation has actually been given to other applicants. This information is also necessary to understand how the change in policy referred to above by Government is working out in actual practice.

It is hoped that an early reply will be sent to this letter of my Committee, in order to enable them to appreciate the step taken by Government and to send a protest to the higher authorities if no sufficient and justifiable reasons are forthcoming for the refusal referred to above.

*Letter No.* 17(10)CG|45, *dated* 30*th July* 1945, *from Import Trade Controller to Chamber.*

I have the honour to refer to your letter No. 1876 dated the 20th July 1945.

2. I very much regret that I cannot at present add anything to what was stated in this office letter of even No. dated the 5th July '45.

*Letter No.* 2237, *dated* 28*th August* 1945, *from Chamber to Food Department.*

I am directed by the Committee of this Chamber to send to you herewith copies of the correspondence passed between this office and the Chief Controller of Imports on the above subject. It will be observed from the correspondence that Messrs. R. N. Bapasola, Bombay, a member of this Chamber, had been informed by the Assistant Chief Controller of Imports, by his letter dated 10th March 1945 that the orders for the above plants had been accepted and that instructions had been issued to the licensing department to issue the necessary import licences. Subsequently, the parties were informed by a telegram dated 21st May that the import licences would be granted only after the war. You will also observe from the reply of the Chief Controller of Imports dated 5th July to this Chamber's representation in the matter, that the refusal to issue licenses to the firm in question was due to a change in the policy of Government both in regard to the release of Dollar Exchange for post-war projects and also in regard to the expansion of the vegetable ghee industry in the country. Whatever the change in the Government policy might be regarding the release of Dollar Exchange and expansion of the industry in the country, my Committee feel strongly that there was no justification for refusing the licences, when a definite and cate-

gorical assurance of acceptance was given to the party concerned at a much earlier date than when the contemplated change in the policy was decided. They legitimately assume that the assurance for the grant of licences was given to the party after taking into consideration the availability of dollar exchange and the position of the industry. Surely, if Government subsequently decided to change their policy, having regard to the above considerations the earlier promise to parties for the grant of licences should neither be brought into question, nor should such a subsequent change in policy be made an excuse for refusing to implement the same. It would be in the nature of equity not to give any retrospective effect to any subsequent change in Government policy in this connection.

In this connection, my Committee would like to refer to the recent interview they had with the Hon'ble Member for Food, Sir Jwala Prasad Srivastava, on the 17th instant, when, amongst others, this matter of the grant of licences for the importation of Vegetable Ghee plants was discussed. The Hon'ble Member assured my Committee that the case above referred to would be looked into if details were supplied to the Department. It is in terms of the assurance of the Hon'ble Member that I am directed to address this communication to you. It is hoped that due consideration will be given to the point discussed herein in relation to the grant of licences for the importation of Vegetable Ghee plants and justice will be done to the importers concerned.

*Letter No.* V|80|14, *dated 4th October* 1945, *from Food Department to Chamber.*

I am to acknowledge receipt of your letter No. 2237, dated 28-8-45, on the above subject and to inform you that it has since been decided that the Chief Controller of Imports will issue import Licences which will be valid for shipment during July-December, 1946, to Mr. Nowroji Bapasola, Bombay.

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## APPENDIX 116

### Export of Cotton piecegoods and yarn to Java

*Letter No.* 2635, *dated 28th September* 1945, *from Chamber to Department of Commerce.*

I am directed by the Committee of this Chamber to address Government in connection with the Notification No. War No. 921 dated the 21st August 1945 issued by the Export Trade Controller, Bombay, advising exporters of piecegoods and yarn to Burma, Federated Malaya states, Sumatra, Borneo, etc. to submit statements showing exports of piecegoods and yarn to those countries during each of the three years, 1939|40, 1940|41 and 1941|42 duly supported by documentary evidence. As regards exports to Java, a change seems to have been made under the said Notification and Indian exporters of piecegoods to Java are required to submit statements showing exports during the three years ending 1940|41.

It may be pertinent to point out in this connection that exports of piecegoods and yarn from India to Java were effected mainly during the years 1941 and thereafter. The market for piecegoods and yarn in Java was before 1941 mainly controlled by Japan. It was only after Japan entered the war that India could find a demand for her goods from Java. It would thus be seen that the period specified in the Notification under reference for submitting statements of exports to Java would adversely affect some Indian merchants. I am, therefore, to request you not to confine the grant of quotas to those who exported in 1940-41, but to take into consideration the exports of piecegoods during the year 1941-42 as well in allotting quotas for piecegoods and yarn to Java. This, my Committee feel, would be more equitable and I shall thank you to consider the above suggestion favourably.

*Letter No.* 67-CW, *dated 28th November* 1945, *from Commerce Department to Chamber.*

I am directed to invite a reference to your letter No. 2635, dated the 28th September 1945, on the above subject, and to inform you that the Government of India have since decided to collect particulars of exports of piecegoods and yarn to Java during the year 1941|42 also. The views of your Association will be borne in mind at the time of deciding upon the basic period for purposes of grant of quotas.

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## APPENDIX 117

### Import of Unmanufactured Raw Ivory

*Letter No.* 3237, *dated* 30*th November* 1945, *from Chamber to Chief Controller of Imports.*

I am directed to refer to the restriction on the import of unmanufactured raw ivory from British East Africa. In this connection, my Committee would like to draw the attention of Government to the inclusion of manufactured ivory articles in the Open General Licence for imports, while such benefit is not extended to unmanufactured raw ivory which has a considerable market in India. The result of this discrimination has been that the raw ivory prices in the country have risen to high levels, and consequently the industry engaged in the manufacture of carved ivory articles in the country has been greatly handicapped. As you are aware, now that Japan has gone out of the field in such articles, a good trade demand has arisen in the country and abroad with regard to Indian manufactured ivory articles and carved ivory articles. It may be added in this connection that before the war Japan used to export to this country many varieties of imitation ivory; it was exporting celluloid as also plastics which provided cheap raw material for imitation ivory articles. In the absence of such imports now from Japan, trade in Indian ivory articles has assumed considerable importance. My Committee feel that the indigenous industry should be allowed to take the maximum advantage of the present position and the increasing demand for India-made ivory articles. It may here be noted that

there will be no currency difficulties in the matter of imports of raw ivory, as it is principally brought into this country from British East Africa, which is a sterling bloc area. Besides, if the position in regard to the imports of raw unmanufactured ivory is eased by including the same in the Open General Licence, Indian-made ivory articles can be exported in large quantities to U.S.A., where there is a great demand for such articles; and Government by accepting the above suggestion will also secure more Dollar Exchange in return for such exports.

My Committee, therefore, beg to urge that in the interests of Indian ivory manufacturing industry, the imports of raw ivory should be made easy by including the same in the Open General Licence.

*Letter No. 75|Gen|28, dated 22nd December 1945, from The Chief Import Trade Controller to Chamber.*

With reference to your letter No. 3237 dated the 30th November, I have the honour to say that during January-June 1946 licences for the import of unmanufactured raw ivory from British East Africa will be granted by the Import Trade Controllers for reasonable quantities against definite offer of supply, in addition to the licences issued on a quota basis. The question of inclusion of raw ivory in the Open General Licence is also receiving consideration.

# V. GENERAL

## APPENDIX 118

### Ratification of the United Nations Charter by the Govt. of India

*Statement, dated 24th October 1945, from Chamber.*

It is a matter of deep and profound regret that, in spite of the universal demand in the country for years past that leaders in the country enjoying the confidence and respect of the people should be sent as representatives of this country to International Conferences and that no agreement or arrangement arrived at such international gatherings and that no convention or Charter drawn up at such meetings should be confirmed or ratified without the concurrence of the Central Legislature, the Government of India have been following their traditional policy to ignore the public opinion and show scant respect to the feelings of the people both in regard to representation of India at such world gatherings and in connection with the ratification of such arrangement as may be arrived thereat. A fresh instance of grave and far-reaching consequences of once again flouting Indian public opinion in matters of such supreme importance is the ratification of the United Nations Charter by the Government of India, that is the Governor-General-in-Council. Neither was the national voice of India allowed to have its say at the San Francisco Conference nor was the Indian Legislature given an opportunity to have its say on the United Nations Charter drawn up at that Conference. The inspired message from Delhi that the dissolution of the Legislative Assembly left no alternative to the Governor-General-in-Council but to ratify the Charter assuming the consent of the Legislature and the public is only adding insult to injury. The United Nations Charter was ready in its complete form as far back as July last. Had the Government of India recognized their responsibility in this grave matter, they could have arranged for the meeting of the Legislature between July and the date of the dissolution of that Body and given the Legislature the opportunity for expressing its views on the various issues raised in the Charter and for expressing its judgment on the subject of its ratification. In view of the developments that have taken place since that Charter was drawn up and the want of unity amongst the "Great Five" which is becoming more and more clear in regard to the fundamental objects underlying that Charter, it was the bounden duty of the Government to consult the people and their representatives of the Central Legislature. The manner in which the people of the countries in South-East Asia who have been standing up for their freedom and self-government have been suppressed makes it essential that the Government should not have ratified the United Nations Charter at their sweet will without giving the fullest opportunity to the people to have their say as to how such Charter has been expressing itself in actual action and in the relation of people in the international world. The haste and secrecy with which the Charter has been ratified can only confirm the suspicion of the people that the Government wanted to save

themselves from any unenviable situation which might result from a possible adverse vote of the Legislature. That is why they have ratified the Charter. This is one more proof of the fact that notwithstanding a change in the Government in the United Kingdom and in spite of all professions of earnestness to transfer power to the people of India, in actual life, His Majesty's Government are so directing the Government of India that India is obliged to play the second fiddle to Great Britain in all spheres of international life and have to exhibit itself only as an appendage of Great Britain for giving that country an extra vote at International gatherings. Mr. Wedgewood Benn (now Viscount Stansgate) remarked some years ago that India was enjoying Dominion Status in action. At a time, however, when England professes to give actual Dominion Status to India, India is continually humiliated by being compelled to follow a policy of subservience and carrying out the bequests of her Rulers both from Delhi and Whitehall.

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## APPENDIX 119

### Naturalization rights to Indians in U.S.A.

*Letter No.* 155, *dated* 16*th January* 1945, *from Chamber to Department of External Affairs, Govt. of India.*

I am directed to refer to this office letter dated 10th November 1943 addressed to your Department urging that the Government of India should represent to the Government of the U.S.A. for the passage of necessary legislation with a view to enable Indians to acquire citizenship rights in America. It was then understood that Government had already taken up the question with the U.S.A. Government and that the matter was under consideration. It was also understood that a Bill favouring naturalisation rights for Indians in the U.S.A. was introduced in the American Senate. As a long period has elapsed since this Bill was introduced, it is apprehended that the same may be ultimately suspended. In view, however, of the urgent importance of Indians gaining naturalisation rights in the U.S.A. my Committee beg to urge Government that an energetic move should be made by them to create public opinion in America in favour of the Bill and that they should continue to represent to the American Government the importance and necessity of such rights being granted to Indians on a par with the rights granted to the Chinese citizens.

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## APPENDIX 120

### Use of Indian Army in Indonesia

*Telegram, dated* 25*th October* 1945, *from Chamber to the Private Secretary to H. E. the Viceroy.*

Please place the following telegram before His Excellency the Viceroy. Committee Indian Merchants Chamber seriously pained and extremely

perturbed at the action taken by Government in allowing the use of Indian troops in actions against the nationals of countries like Indo-China and Indonesia recently liberated from enemy occupation. The unsettled conditions there were brought about by internal conflict connected with the nature and form of Governments suitable for those countries. India is yearning for her freedom and she has naturally every sympathy with subject countries striving to get themselves free. Under such circumstances the use of Indian troops in action against the nationals of such subject countries is opposed to Indian sentiment. Committee request His Excellency will be pleased to give a categorical assurance that Indian troops will not be sent out of the country for purposes of this kind and particularly for any kind of offensive action against nationals of subject countries and also to arrange that Indian troops which are already stationed elsewhere are not under any circumstances employed for such purposes.

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## APPENDIX 121

### Entry of Indians into territories in Burma under Military Occupation

*Telegram, dated 30th April 1945, from Chamber to Commonwealth Relations Department.*

Committee Indian Merchants' Chamber are perturbed on reading reply given by Mr. Banerji, Secretary, Commonwealth Relations Department in Council of State on 12th April which stated that those persons authorised to enter Burma were being advised to register their particulars with Government of Burma. Committee cannot understand why Indians who propose to proceed Burma should register their names with Government of Burma. Committee also cannot understand significance of the word 'authorized' qualifying the word persons. Committee maintain all Indians have right to proceed Burma and look upon Government of India for protection of rights of Indians. It was Government of India which prepared register of evacuees who came to India from Burma. Government of India promised Federation and all other associations that in all matters trade emigration etc. Indians should look to them and no action would be taken by Government of India in these vital matters without their consultation. Committee would therefore be grateful if prompt announcement is made to the effect that all who wish to proceed Burma should register their names with Government of India. After making careful enquiry Committee find that no Indian firms were approached or asked to spare their men to proceed Burma as employees to join Civil Affairs Service as mentioned by Mr. Banerji. Committee maintain that it is essential in India's interests that Indians should also be given opportunity to join Civil Affairs Service in Burma as opportunities have been given to Britishers particularly those who were taken in Army and others who were working for the military. Committee will feel grateful if you will please inform them what is the policy Government propose to adopt for enabling Indians to participate in Civil Affairs Service

for doing such work as may be necessary during period of Military occupation in Burma. Committee will be obliged by an early reply to all points raised herein.

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## APPENDIX 122

### Demobilization of Indians Serving Overseas

*Letter No.* 153, *dated* 16*th January* 1945, *from Chamber to Commonwealth Relations Department.*

I am directed to address you with regard to the labour corps which are being sent at present as part of the military personnel outside India and especially in connection with their demobilisation at the end of the war. It is a probability that Indian nationals now serving with such labour corps overseas may be demobilised overseas and their services retained by the foreign countries if they are required in such countries. My Committee apprehend that such demobilisation may be carried out in those countries without the Indian nationals being given citizenship rights in such foreign countries. My Committee beg to urge in this connection that at the end of the war such Indian nationals may be brought over to India and demobilised here. In case the services of such labour corps are required by the foreign countries for their use after the war and consequently if they are demobilised overseas then the Government of India should agree to such demobilisation overseas only if the Indian nationals are given citizenship rights by the overseas countries requiring the services of Indian nationals.

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## APPENDIX 123

### Facilities to Trade with Burma

*Telegram, dated 7th February* 1945, *from Chamber to Commerce Department.*

Committee Indian Merchants Chamber understand that large number of Indians who had evacuated from Burma owing to its occupation by enemy are very anxious to return to and restart their business and other normal activities in that country as a large part of that country is now under occupation of the allies. Recent news that telephonic communication has been established between Akyab and India and that consumer goods are being supplied from India to civilian population at Akyab and other places encourages the hope that business relations and shipping services between two countries would soon be established. Committee further understand that all facilities are being accorded by His Majesty's Government to British firms and houses for proceeding to liberated parts of Burma and some of them have already gone there and restarted their business activities. Committee are however seriously perturbed to learn from the news appearing in the

press that so far as Indians are concerned they would have to apply to the South East Asia command and not to the Government of India for securing such facilities. Moreover it is understood that trade between India and Burma will be carried by a branch of United Kingdom Commercial Corporation which can command British and allied shipping for that purpose. Committee strongly feel that the Government of India should ensure that the trade between India and Burma which has been built up during last several decades by Indians should remain in their hands and should not be taken away from them by the United Kingdom Commercial Corporation. Committee consider it absolutely imperative that facilities for going to the liberated parts of Burma under military occupation should be accorded by the Government of India to Indians and they should not be placed in a position to approach the South East Asia Command for that purpose. In view of the very colossal interest of Indians in Burma having regard to the large trade between the two countries built up and carried on by Indians and bearing in mind the recent discussion in the House of Commons where the Secretary of State gave his support to main recommendations of the blue print for Burma which are seriously prejudicial to the interests of Indians Committee would most earnestly urge upon the Government of India to take immediate steps to safeguard the present and future interests of Indians in Burma and assure them by an immediate announcement of their policy as to how they propose to act in this matter and what facilities they propose to give to Indians to return to the liberated parts of Burma.

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## APPENDIX 124

### Disposal of Capital Equipment in the U.S.A.

*Letter No.* 3190, *dated 28th November* 1945, *from Chamber to Federation of Indian Chambers of Commerce and Industry, Delhi.*

With reference to your circular letter No. F. 1940|698 dated the 12th October 1945, my Committee are in general agreement with the proposal that a small deputation of industrialists should be sent to the U.S.A. to be associated with the Government machinery for the purpose of selection and purchase of goods from the surplus stores available there. They would like to know if any further progress has been made in regard to this matter and as to how the Delegation is proposed to be constituted.

They would, at the same time, like to suggest that the Delegation should have a good Secretariat as also the assistance of technical men with practical experience of industry. Even if the members of the main Delegation find it necessary to return from America after a short stay, arrangements might be made for the members of the Secretariat and the Technical personnel to continue their stay for a longer time so as to assist the establishment of contacts between respective Indian purchasers and the disposal

authorities there. The Secretariat attached to the Delegation might be able to circulate, in due course, fuller information about equipment and supplies available for immediate procurement. Such information may usefully be circulated to the interests concerned at this end, thereby leading to further stages of direct negotiation between the buyers and the disposal authorities there.

Please let me know, in due course, the result of this proposal when it takes a definite shape.

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## APPENDIX 125

### Non-Indian Ex-prisoners of War in the Country

*Telegram, dated 14th September 1945, from Chamber to Defence Department, Govt. of India.*

Committee Indian Merchants' Chamber have no doubt that the Government of India are fully conscious of the increasing difficulties and hardships from which the people of this country have been suffering now for several months past owing to the extremely acute shortage of housing accommodation, foodstuffs, cloth and other essential necessaries of life and the utter lack of transport facilities even for the carriage in adequate quantity of the available prime requirements of human existence. They, therefore, deeply deplore that the Government of India should have imposed upon the people of this country whose privations and sacrifices have now reached a breaking point of even manly endurance another unbearable burden by undertaking to make every possible arrangement for the residence, maintenance, entertainment and recreation at hill stations of thousands of non-Indian ex-prisoners of war and civilian internees in India and by already completing full preparations for the first batch of such people shortly expected to land in this country. Committee could understand the necessity despite the grave sufferings of the people of housing, feeding, clothing and transporting in India hundreds of thousands of troops of all nationalities, Indian, British, American, African, Australian etc., while the war was going on and while India was used as a vital base for its effective prosecution. Committee, however, cannot believe that Government could have forgotten that the facilities thus provided by India in men, materials, transport and other services imposed not only grave burdens on her people but they also led to the terrible tragedy of the Bengal famine created conditions of semi-starvation for the people in many parts of the country and deprived her men and womenfolk in many places even of the bare piece of cloth to cover their bodies and hide their shame. In view of these immense sacrifices India was, now that the hostilities are over, naturally looking forward to immediate and substantial relief in the matter of living accommodation, foodstuffs, clothing and transport facilities etc., to which she is fully entitled. India, therefore, justly expected that these non-Indian ex-prisoners of war and civilian internees would be taken to Australia and other nearby countries from where they

could have been transported to their homes in Great Britain in due course. Apart from the crushing financial burden, the cost of maintenance of such a large number of ex-prisoners etc., of war would impose on the meagre resources of the Indian Treasury, to call upon the people of India to accept growing and great responsibilities and obligations by becoming the host of these thousands of non-Indians referred to above and that too at a time when the situation with regard to foodstuffs, milk, vegetables etc., has not at all eased and when cloth is not available in several parts of the country, when the difficulties connected with travel and movement of goods persist and remain unabated, is, Committee are constrained to remark, not without a feeling of grief and distress tantamount to the Government of India neglecting their primary and elementary duties and responsibilities towards the people of this country. Committee therefore, consider it their duty to urge upon the Government of India even at this stage, in all earnestness, and with all the vigour at their command, that the Government should reconsider the position afresh and save the suffering masses of this country from all further uncalled for and avoidable hardships, privations and sacrifices.

*Letter No.* 22|66|Evn, *dated 28th September* 1945, *from Commonwealth Relations Department to Chamber.*

I am directed to reply to your telegram, dated the 14th instant, addressed to the Secretary of the War Department, New Delhi, in so far as it concerns the case of released civilian internees; and to say that your apprehensions seem to be due to a misunderstanding of the extent of relief that is proposed to be given in India to non-Indian civil internees. The true position is as follows.

2. All fit non-Indian releasees are going direct to their own countries. The following classes of non-Indians alone are coming to India and these will probably number only a few hundreds :—

(*a*) Those requiring hospitalisation before being able to take the long voyage to their own countries ;

(*b*) Near relatives of (*a*) ;

(*c*) Those whose wives or immediate relatives are in India.

3. It is expected that all these classes of persons will leave India in the course of a few weeks. Hill accommodation has been reserved only for 250 persons at Mahabaleshwar, and may be reserved for a further 80 to 100 persons at Matheran ; and this for a short period.

In respect of clothing, supplies of warm clothes are being brought out from the United Kingdom, a certain amount of clothing is being supplied, by the Army and some clothing has been received by donations from the public. Purchases from the open market will be on a very small scale.

The entire expenditure on non-Indian releasees is to be borne by the Government of their respective countries.

4. Australia is taking a full share in this operation, in addition to her own nationals.

5. The only other releasees coming to India are the released internees of Indian nationality and domicile; and it is only the expenditure on such Indian nationals that will have to be borne by Indian revenues.

6. It will thus be seen that the provision of these transit facilities for a few hundred non-Indian internees of this class is not likely to cause any considerable strain on the food and other resources of India. You will perhaps agree that considerations of humanity make it difficult for India to refuse this small contribution towards the welfare of a few hundred non-Indians who have been long victims of detention in enemy countries during the war.

*Letter No.* 8513-A(a)|W|6, *dated 26th September* 1945, *from War Department (Army Branch) to Chamber.*

I am directed to refer to your telegram dated 14th September 1945 and to say that the Committee of the Indian Merchants' Chamber seem to be labouring under some misapprehension when they observe that "They deeply deplore that the Government of India should have imposed upon the people of this country, whose privations and sacrifices have now reached the breaking point of even manly endurance, another unbearable burden by undertaking to make every possible arrangement for the residence, maintenance, entertainment, and recreation at hill stations of thousands of non-Indian ex-prisoners of war and civilian internees in India". So far as ex-prisoners of war are concerned the policy of this Department is as follows:—

(*a*) All Indian nationals come to India.

(*b*) As far as possible, all fit prisoners of war, other than Indian nationals, are shipped direct to their destinations and not *via* India.

(*c*) Sick prisoners of war requiring hospital treatment evacuated by hospital ships are to be accommodated in military medical installations in India until they become fit for travel to destinations in Europe.

2. In regard to hospital treatment I am to explain that existing military hospitals, convalescent and transit camps are being used for evacuated prisoners and that no new projects have been undertaken for the purpose. It will thus be seen that the present arrangements for the transit of released prisoners of war do not involve any appreciable burden on the economy of India.

3. As regards civilian internees, a communication will be addressed to you by the Department of Commonwealth Relations to whom a copy of your telegram has been forwarded.

## APPENDIX 126

**Proposed Procedure announced by the Govt. of Burma for registration of Indians desiring to return to Burma**

*Telegram, dated 17th May 1945, from Chamber to Commonwealth Relations Department.*

Committee Indian Merchants Chamber have seen form for application for registration of firm or company carrying on business in Burma on seventh December 1941 issued by Government of Burma pursuance notice given in press under signature Secretary Government of Burma Industry and Labour Department. Object for information asked therein not understood Committee consider same highly detrimental interests Indians proceeding Burma and invite your kind reference to their previous telegram dated twenty-seventh April. Mister Master President Chamber reported Committee that he saw you connection this form some days back in Bombay whereat your goodself promised looking into matter and advise how Indians should act. Mister Master also forwarded wire this connection to you at Nagpur seventh May to which he has not been favoured with any reply. View of message published in press today from New Delhi regarding intention of Burma Governor relating Indian immigration namely Government of Burma proposes new agreement should continue provision by which Indians may not enter Burma without immigration permit etc. Committee earnestly appeal to you clarify position and reaffirm assurance given on previous occasions that Indians proceeding to Burma will have same right of entry and re-entry in Burma as enjoyed by Britishers domiciled in United Kingdom.

*Telegram, dated 30th May 1945, from Chamber to Commonwealth Relations Department.*

Continuation of telegrams seventeenth and twentysecond May Committee Indian Merchants Chamber understand from letter addressed by Secretary Government of Burma Industries and Labour Department dated 2nd May Burma Indian Chamber of Commerce Bombay that information asked for in form application for registration not required by military authorities. That letter adds information desired by Government Burma enable them build up body of information replace lost records and such information will be made available to licensing controlling and other authorities of Burma Government responsible for rehabilitation of Burmas industries and commerce. Information asked for really very objectionable. Moreover Government Burma never collected such information from Indians for decades together before in prewar period and consequently argument for replacing lost records cannot arise and not at all tenable. If Government Burma introduce licensing and controlling for rehabilitation Burmas industries commerce in future they can call such information as may be appropriate from trade commercial interests actually carrying on business in Burma at that time. Committee consider asking for such information at this stage without giving immediately all necessary facilities to Indians to resume their prewar normal activities in Burma seriously detrimental to future interests of Indians in Burma. View of assurance given by Honourable Member

while in Bombay that he will advise later as to how Indians should proceed regarding matter filling applications Committee will be grateful if Government would now clarify position. Committee however would urge Government would bear in mind serious consequences of giving such information as asked for by Government Burma in that form. Committee reliably understand that representatives of British interests are already allowed proceed Burma fulfilling technical procedure that may be laid down for such entry at this stage. They therefore get flying start and other facilities which Indian interests cannot secure as they are not allowed such entry at this stage. Committee earnestly appeal Government clarify whole position. Committee understand negotiations carried on between Government Burma and Government India regarding immigration at present. Committee would be grateful if Government would announce that no decision would be taken either regarding immigration of trade without consulting Indian commercial interets as promised before by Government and that in any arrangement that may be made Indians would receive the same treatment as Britishers domiciled in U.K. View rapid developments taking place Committee submit early clarification of all issues essential for safeguarding large interests of Indians in Burma. Committee are further informed that attempts are being made for controlling export of rice from Burma when available next year and that services of UKCC and ships of British Ministry of War Transport would be harnessed for that purpose ignoring interests of Indian merchants and Indian shipping in that direction. Committee therefore further appeal Government would assure them that interests of Indians in all these directions would be adequately safeguarded. Committee again urge early announcement this connection and allay growing anxiety in country in regard to these vital matters.

## APPENDIX 127

### Supply of Civil Requirements in Burma

*Letter No. 2968, dated 30th October 1945, from Chamber to Commonwealth Relations Department.*

The attention of my Committee has been drawn to certain arrangements said to have been made by Mr. G. C. Bourne, Officer on Special Duty (Civil Supplies), Government of Burma, in regard to procurement, import and distribution of supplies of articles required for civil purposes in Burma. Under this arrangement, a single general import agency is understood to have been formed consisting of leading Burma firms of general importers or importers of foodstuffs for procuring and stocking as agents of Government goods imported into that country excepting certain classes of special imports. My Committee, at this stage, do not propose to comment on the merits or otherwise of the above.

In the case of goods classified as special for purposes of such imports, my Committee understand that the Civil Supplies Board of the Government of Burma have appointed as Special Agents certain importing firms or houses for specific items of imports. These items mainly are (i) tinned

milk, (ii) sugar, (iii) soap, (iv) matches and (v) cigarettes. For each of the above items Government have selected one firm as Special Agent. Thus for soaps, Messrs. Lever Bros., have been appointed as Agents; for cigarettes, the Imperial Tobacco Co., have been appointed as Agents. Government cannot be unaware of the fact that Messrs. Lever Bros., are themselves manufacturers of soaps. There are other manufacturers equally important in the line, whose products also were enjoying a wide market in Burma in the pre-war period. Under such a position of affairs, if Messrs. Lever Bros., are appointed as Government Agents for purposes of importation and distribution of soaps in that area, there is justifiable room for the feeling and fear that interests of the other manufacturers would be prejudicially affected. There is considerable force in this point of view and in order to remove this grievance it is necessary that Government should evolve other arrangements for the purpose of importation and distribution of such goods in Burma. As in the case of the General Agency, the appointment of a group of firms or representatives in the items treated as special lines may be deemed to be more equitable and fair; thus, if all the important importers of soaps in the pre-war period, or of tobacco, for another instance, are collectively, on some mutually satisfactory basis, appointed as agents, the difficulty pointed out above will not arise.

It is requested that Government will be pleased to give this matter their early consideration and make suitable representation to the authorities of the Civil Supplies Board, Burma Government, so as to remove the objectionable features pointed out herein in regard to the appointment of Special Agents for purposes of certain classes of goods and supplies procured for Burma.

*Letter No.* 45-O-S, *dated 27th November* 1945, *from Commonwealth Relations Department to Chamber.*

I am directed to acknowledge the receipt of your letter No. 2968 dated the 29|30th October 1945, and to enclose a copy of a press-note issued by the Government of Burma on the subject. The Government of Burma addressed a general letter to the various organisations of Burma Indians outlining the import scheme and the scheme was finalised on the basis of replies received from them. The Burma Indian organisations which have participated in the scheme and the Indian representative on the Burma Civil Supplies Board are all of the opinion that on the whole the final arrangements are not likely to prejudice Indian interests.

I am to add that in view of the fact it is necessary for the Government of Burma to have some control in the initial stages, and also as the scheme is a temporary one and is not likely to last for more than 9 months, the Government of India do not consider it necessary to make any representations to the Government of Burma at this stage. The Representative of the Government of India with the Government of Burma will, however, further examine the position after reaching Rangoon and the question of further action, if any, to be taken by the Government of India will be considered in due course.

## PRESS NOTE

The following announcement is made in view of the large number of enquiries and applications which are being received by this office and to which it is impossible to reply individually.

1. The Civil Supplies Board which is to manage and control the distribution of civil supplies in Burma has selected certain firms which it will employ to receive, store and despatch on its instructions those essential commodities which are being procured by Government for distribution to the civil population and which will be consigned to the Board in Rangoon; and no further applications for such employment can be entertained by the Board.

2. These firms will merely be handling, for a short period, goods which will be the property of the Board. Importing of other goods and of these goods whom Government procurement ceases (probably in about nine months time except in the case of certain foodstuffs on the reserved commodities list) will be by private importers under licences and permits to be issued by the Commerce and Supplies Department of the Government of Burma.

3. No Agents are being appointed by the Board for distribution of supplies, which will be in the hands of dealers as usual, except that licences will be required in the case of those commodities classed as essential.

4. Licences to deal in essential commodities will be issued in Burma by the local officers of the Board and applications for such licences cannot now be entertained by the Board.

5. The return of evacuee merchants and dealers to Burma will be regulated by the Immigration Department of the Government of Burma according to general priorities arrived at in consultation with the Government of India. The registration of Indian evacuees who desire to return to Burma will be done by the Government of India and neither this office nor the Immigration Department can entertain individual applications for return.

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## APPENDIX 128

**Proposed arrangement for sending back Burma Evacuees in India**

*Telegram, dated 17th October 1945, from Chamber to Commonwealth Relations Department, New Delhi.*

Committee Indian Merchants Chamber are gravely perturbed at the report appearing in the "Times of India" of 15th October that the Government of India have arranged to send back Burma evacuees at the rate of 12,100 per month from February next. Committee understand that there are nearly four lakhs of evacuees who have returned to India from Burma owing to the war. At the proposed rate of sending them back it would take nearly 33 months for their return. In view of immediate problems of reconstruction and rehabilitation facing Burma and the urgent need of evacuees helping in that work and of re-establishing themselves in their

business and of looking after their property, in land and other interests in Burma it is essential that all these evacuees should be returned to Burma during a period not exceeding six months and Committee understand that even if the passenger steamers on the Indian Register only are utilised for that purpose Government would be able to repatriate this large number within that period. It is further stated in the "Times of India" that priorities would be given to contractors, sweepers, masons and rice millers. It is however un-understandable why priorities should not be granted to rice merchants since rice trade between India and Burma plays the most important part in Burman economy and supplies the much needed requirements of India in that commodity. Committee surprised that priority is given to sweepers when it was understood that they were not to be sent. Committee further reliably understand that Government of Burma have decided to allow trained staff which was not in Burma before the outbreak of war to enter Burma provided it is of British domicile, but that such staff of Indian domicile will not be allowed to enter unless the Government of Burma are first satisfied that it could not be locally recruited and then too the Government of Burma would sympathetically consider entry of such staff on the basis of quota. Committee cannot understand this policy of clear discrimination on the part of the Government of Burma and they hope that the Government of India are no party to it and would not agree to it under any circumstances. Such a policy of discrimination while abrogating the existing rights of Indians will also put them to serious disadvantage in business efficiency and economy as compared with their British compeers who are allowed to bring in any trained staff of British domicile into Burma as they like without any restriction whatsoever. Further, insurance interests will be allowed to carry on their operations in all branches of insurance in Burma as a composite unit only with Management from London on which Indian insurance interests will have no representation and with a small staff in Burma where no Indian will be appointed. This further policy of discrimination will seriously affect the future position and business of Indian insurance companies in Burma which has been built up with so much sacrifice in the past. In view of nearly ten thousand small and big firms, companies etc., carrying on their trade, business etc., in Burma before the war, it is essential that there should be or could be no restriction whatsoever on entry of such trained and other staff as might be necessary for replacement and|or reinforcement of staff carrying on that business in Burma before the war. Committee, therefore, earnestly urge upon the Government of India to ensure the return of all evacuees without let or hindrance immediately to Burma and to take steps that no policy of discrimination is allowed to be put into force against staff of Indian domicile required to replace or reinforce previous staff in this matter which is of supreme importance to all Indians who have got property, business, trade etc., in Burma. Committee are surprised to learn the persistent reports that the Government of India would shortly conclude an Immigration Agreement with the Government of Burma. They, however, trust that as repeatedly promised by Government, they would not take any action in connection with such an Agreement and particularly in regard to any restriction being placed on the right of entry and re-entry of Indians

into Burma without giving Chambers and Associations an opportunity of expressing their view and without the consent of the Central Legislature. Committee would further respectfully urge upon the Government of India that to accept the proposal for the imposition of restrictions on entry of Indians in Burma which would not be placed on the nationals of other countries such as Great Britain and China will seriously affect the prestige and honour of India in the International World. Committee therefore are definitely of opinion that such an Agreement should or could be concluded only between free India and free Burma to ensure the protection of their mutual rights and interests. Committee would feel grateful if Government would be pleased to indicate what action they propose to take in this connection.

## APPENDIX 129

### Claims in respect of property lost in Burma

*Letter No. 2630, dated 28th September 1945, from Chamber to Commonwealth Relations Department, New Delhi.*

I am directed to address Government in the matter of claims in respect of property destroyed or abandoned by Indians in Burma at the time of the occupation of that country by the enemies. In this connection, I am to point out that there is a large number of questions of primary importance with regard to the rights and position of Indians in Burma, which are before the Government, but pending further clarification of these questions after the Conference of the Commonwealth Relations Advisory Committee which will meet shortly in New Delhi, my Committee do not wish to comment on the various matters concerned therewith at the present stage. They would, however, like to draw the attention of Government to the large number of claims which are pending before the Government of Burma in India with regard to property of Indians in Burma either destroyed, damaged or abandoned and both insured and uninsured under the various schemes that were in force at the time of the evacuation. Such claims have been lodged by these people either directly with the Government of Burma or through the various Chambers of Commerce or the Central Evacuees Committee.

As you are aware, the Civil Government is likely to return to Burma early in October and clarification of the Government policy in this regard is of the utmost urgency especially from the viewpoint of those who have suffered so severely at the hands of the enemy as a result of the evacuation. A Custodian of Property has been appointed in Burma and a Committee to advise him was also appointed. Without commenting upon the constitution of that Committee I am to point out that the members of the said Committee have even yet not been permitted to go and enquire and report upon the state of such property in Burma. My Committee view this state of affairs with serious concern, especially as neither the Government of Burma nor His Majesty's Government have yet accepted full liability for the various types of claims pending before them as a result of the occupation of Burma

by the enemy. The evacuees, therefore, are viewing this with serious concern, as it affects both their present and future position.

My Committee would, therefore, urge upon Government the urgent need of careful enquiry into this state of affairs and to take steps to see that those who have lost their property or have been otherwise affected as a result of the occupation of that country by the enemy, should be compensated at the earliest possible date. In a large number of cases such compensation will be the only wherewithal for these poor evacuees to re-establish themselves and the question should be treated as one of the most urgent problems facing the Civil Government on its return to Burma and early steps for the payment of such claims and for acceptance of the full liability of such losses that might have been suffered, should be taken up by the Government.

My Committee would also once again urge upon Government to take effective steps and to make arrangements for the return of the evacuees to Burma with the least possible delay and to give them every facility that may be required for re-establishing themselves in the economy of Burma. As you are aware, questions of rehabilitation have been seriously taken up by the Military authorities in Burma and it is seriously apprehended that vested interests will be created in the absence of legitimate owners, who perforce are absent, from their home in Burma. My Committee would appreciate an early reply to the above, as they are receiving a large number of enquiries from various interests and persons who are anxiously writing to this Chamber for information in regard to the above matter.

*Letter No.* F-59-1|45, *dated 30th November* 1945, *from Commonwealth Relations Department to Chamber.*

## PRESS-NOTE

The resumption of Civil Control in Burma on the return of His Excellency the Governor should not be taken as indicating any immediate change in the situation regarding the return of evacuees, stated an official of the Burma Evacuees Welfare Department in Simla today. Although Sir Reginald Dorman Smith is now returning, the greater part of the Secretariat has not yet left Simla and thus the Burma Government is not yet fully constituted in Rangoon, nor as yet is there any improvement in the transportation situation. The procedure for the movement of evacuees on a system of priorities is being worked out by the Government of India and the Government of Burma in consultation and detailed instructions will be issued as soon as possible. It was also pointed out that evacuees can return only after adequate arrangements have been made for their reception at the receiving ports.

## APPENDIX 130

### Burma Rice Trade and Interests of Indian Merchants.

*Telegram, dated 13th June 1945, from Commerce and Commonwealth Relations Department to Chamber.*

Committee Indian Merchants Chamber seriously concerned by reports about proposals regarding organisation and handling of export trade in rice from Burma to India and Ceylon in the future. It is pertinent to point out that the rice trade in all its stages including milling in that country and the export markets and arrangements were developed and organised by Indian nationals through continuous efforts over a number of years in prewar period. Just before the outbreak of the war two and a half million tons of rice were being exported all by Indian nationals from Burma to India and Ceylon and it is estimated that the value of the said trade exceeded thirty crores of rupees. Indians also participated in export of rice to other countries from Burma. Over two lakhs of Indians were earning their livelihood from this trade and India mainly made up balance of her requirements of rice from these exports. It will therefore be recognised that this rice trade and the maintenance of the position of Indians in that trade is of vital importance to this country. In 1941 some attempts were made to upset the existing arrangements by introducing a scheme of control but through the timely action of Indian merchants and kind intercession of Government of India the proposals were so vitally altered as enabled the Indian merchants to retain and maintain their position and share in the trade as they had maintained for decades past. Now that most important parts of Burma are liberated Indian merchants are naturally desirous of resuming their trade activities and playing their proper part in the milling of rice and organisation and handling of the export trade in rice from Burma to India and Ceylon. Indian interests have however been perturbed by receipt of information regarding certain proposals sponsored by the present Government of Burma as represented by the Governor and his advisors. It would appear that it is now proposed to form an Agricultural Projects Board and this Body alone will be entrusted with the work and will alone have the right of purchasing all the surplus rice available in Burma and the supply will then be sold by the board to the British Ministry of Food and the arrangements for its export will also be made by the Ministry of Food in conjunction with the British Ministry of War transport. Committee are further given to understand that financing of these operations will be undertaken by the Exchange and other Banks who were interested in the rice trade in Burma before the war. The Banks in question will finance the agricultural projects board and the board will be able to draw upon the Ministry of Food from time to time. Under this scheme the Food Department of the Government of India will be expected to negotiate with the Ministry of Food for the requirements of Burma rice for India. According to information now available this arrangement is expected to be in force not only during the period of military regime but will remain in operation at least for two years after the Civil Government of Burma begins to function. These reports have filled Com-

mittee with serious concern they feel that it is nothing short of attempting to deprive Indian merchants and traders of their legitimate rights and place in the rice trade of Burma which they had built up and developed after years of efforts and toil. Attempts which are now being made really revive the worst features of rice control order of 1941 and seem to be directed towards the objective of driving away Indian merchants altogether from rice trade between Burma India and Ceylon. Committee realise necessity of organising proper distribution of Burma rice in the immediate postwar period owing to conditions of scarcity prevailing in various parts of the world. That however would not justify denial of rights that have existed for years past and elimination of normal trade channels. Committee understand that the trade will be prepared to cooperate in any scheme which Government of India may evolve for import of rice in India from Burma and for ensuring its proper and equitable handling and distribution in this country. Committee fully share the anxiety of Indian rice merchants to retain their position in rice trade in Burma and its exports between Burma India and Ceylon and earnestly urge Government to help them in doing so by using all their influence with the Government of Burma and where necessary with the Food Ministry and His Majesty's Government. Committee therefore earnestly request that Government of India will be pleased to make suitable representations in the matter and ensure that the legitimate position and rights of Indian merchants in the Burma rice trade are properly and adequately safeguarded and the knowledge and experience which they have claimed and the trade machinery and organisation they have built up as a result of work of several decades fully utilised.

## APPENDIX 131

### Official purchasing agency in India for procurement of goods for civilian requirements in Burma

*Telegram, dated 25th July 1945, from Chamber to Commonwealth Relations Department, New Delhi.*

Committee Indian Merchants Chamber understand that Government of Burma have decided to establish their own purchasing agency in India for the procurement of essential supplies required for the civil population in Burma from the time Civil Government begins to function in that land. Committee consider such a move seriously detrimental to the interests of the Indian exporters who used to handle the trade in such commodities exported from India to Burma. Establishment of such foreign agencies will also seriously affect all questions connected with export trade from this country. At a time when in response to the continued requests of the commercial community the Government of India have come to the conclusion that early steps should be taken to see that outside purchasing agencies such as UKCC the Middle East Supply Centre and purchasing agencies of other foreign Governments are not allowed to function hereafter in connection with exports from this country it will impose new and undesirable fetters

on the export trade of India if new and fresh purchasing agency is allowed to be established now in the export trade of India like the one which the Burma Government contemplates. Committee would therefore like to urge upon the Government of India the immediate necessity of making suitable representations to the Government of Burma and arriving at such understanding with them whereby that Government might be able to secure their essential supplies through normal channels of trade engaged in the export business of such commodities in this country. Committee would be obliged if the Government of India would be pleased to communicate to them the result of the action which they might take in this matter.

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## APPENDIX 132

### Recruitment abroad for Indian Service personnel

*Telegram, dated 2nd August 1945, from Chamber to Home Department, Govt. of India, New Delhi.*

The attention of the Committee of this Chamber has been drawn to a news item appearing in the Press, announcing that "The Indian and Burmese Governments are to open campaigns for recruits for civil service and the police. Thousands of special booklets have been issued here through the office of the Shipping Master of the local port and appeal particularly to Canadian merchant seamen." It is an extraordinary step that the Government of India are taking, and my Committee are naturally upset. While on the one hand talk has been going on for a long time for putting India on the road to self-government or rather progressive independence, and giving all the vantage posts to the sons of the soil, here is on the other hand an effort being made by the Government of India, without the knowledge of the Legislature, to recruit Canadians for the two important services, viz. Civil Service and the Police. Definite assurances had been given in the past that the policy of the Government would always be to increase the percentage of Indians in both these services. The ideal which was kept in view by Government, and which is kept in view by the Indian people is, that there will be a progressive decrease of non-Indians in both these services. Not only this, but Government are not unaware of the feelings of the Indian people against recruitment of Colonials for any service in the country, specially as the treatment of Indians in different colonies is so very well-known. It is the standpoint of the Indian people that, so long as Indians are not treated well in the colonies, there should be a retaliation against such colonies who are not treating our nationals well. There are hardly any instances of colonies employing Indians in executive posts. In fact, there is a dead set against Indians being allowed to settle there or earn their living. In view of these circumstances and having regard to the recognised practice all the world over in all free countries to fill such superior and responsible posts by the nationals of the country only, it is highly regrettable that the Government of India should have gone to Canada and launched on a campaign of recruitment of Canadians for the Indian Civil Service and the police.

Self-Government or progressive independence or whatever such terms are being used at present, cannot and should not at least connote that the responsible services like the Civil Service and the Police, carrying so much power and responsibility, should be filled by non-Indians, when Indians with best qualifications are available for all such services. Moreover, the true test of real sovereignty of a free people is that real responsibility and power must remain in the hands of the sons of the soil. My Committee hope and trust that the campaign which is now started in Canada will be stopped at once and that the recruitment to these services will be made only from the people of this country.

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## APPENDIX 133

### Stabilization of Prices of Agricultural Products

*Letter No.* 10343|39, *dated 24th April* 1945, *from Reconstruction Department, Govt. of Bombay to Chamber.*

I am directed to forward copies of letter, No. 14-9|45-P, dated 20th March 1945 from the Government of India, Department of Education, Health and Lands, and the questionnaire prepared by the sub-Committee of the Policy Committee on Agriculture, Forestry and Fisheries regarding guaranteeing to the producers an assured market for their agricultural produce at remunerative prices and how to fix them and to request that the view of the Chamber may be communicated to this Government in the form of answers to the questionnaire by 20th May 1945 for transmission to the Government of India.

2. The Government of India asks, it will be noted that your reply should be typed on one side of the paper and be forwarded in quadruplicate. The Provincial Government would be glad of a fifth copy for its own use.

*Copy of letter from the Government of India, Department of Education, Health and Lands, No.* 14-9/45-P, *dated 20th March* 1945.

I am directed to say that the Policy Committee on Agriculture, Forestry and Fisheries at its meeting held from the 26th to 29th June 1944 recommended that Government should guarantee to producers an assured market at a remunerative price for agricultural produce and that a Sub-Committee should be appointed to report as to how to fix a remunerative price for such produce and secure an assured market for it. In accordance with the recommendation of the Policy Committee the Government of India decided to appoint a sub-committee with the following terms of reference :—

To consider—

(*a*) the principles on which producers' price of agricultural produce, whether crops grown for industrial purposes or for food, or the produce of animal husbandry of all descriptions, should be fixed,

(*b*) the means by which such prices can be made effective and an assured market be provided, and to make recommendations.

The Sub-Committee will report on its terms of reference in relation to conditions in the post-war period (1) in which, a substantial measure of Government control over the procurement, distribution and prices of commodities exists and (2) in which such control has been relaxed or abolished, and normal trade and market conditions have been restored.

2. The sub-committee has now been constituted as follows :—

1. Sir V. T. Krishnamachari, K.C.I.E. (Chairman).
2. The Hon'ble Mr. Hossain Imam.
3. Mr. Fazal I. Rahimtoola, C.I.E.
4. Rao Bahadur N. R. Samiappa Mudaliar, M.L.C.
5. Dr. L. C. Jain.
6. Mr. Roger Thomas, C.I.E.
7. Khan Bahadur Momin.
8. Sir Pheroze Kharegat, C.I.E., I.C.S., Representative of Education, Health and Lands Department.
9. Mr. V. Narahari Rao, C.I.E., Representative of Finance Department.
10. Sir Theodore Gregory, Representative of Commerce Department.
11. Dr. V. K. R. V. Rao, Representative of the Food Department.
12. Mr. C. N. Vakil, Representative of Planning and Development Department.
13. Dr. B. K. Madan, Representative of Reserve Bank of India.
14. One nominee of the Chamber of Princes.

Mr. W. R. Natu, Statistical Adviser to the Government of India, will act as Secretary of the Committee.

3. A questionnaire on the subject prepared by the Committee is enclosed. The Government of India would be grateful if the Provincial Government would kindly furnish the Committee with their views on the various points raised in the questionnaire by the 31st of May 1945, at the latest. The Provincial Government may also consult important agricultural and commercial bodies and representatives of public opinion in the matter and communicate their views to the Committee, along with their own.

4. It is requested that in framing the replies to the questionnaire, the prices of agricultural produce, whether crops grown for industrial purposes or for food, as well as the prices of animal husbandry of all descriptions be taken into consideration.

5. Attention is invited to the terms of reference of the Committee which draw a distinction between the conditions in the post-war period—(*a*) in which a substantial measure of Government control over the procurement, distribution and prices of commodities exists and (*b*) in which such control has been relaxed or abolished and normal trade and market conditions have been restored. It has been suggested that a distinction may be drawn between emergency measures and machinery to deal with a probable depression in agricultural prices which may occur after the present war on the one hand and the measures and machinery needed to inaugurate and

work a policy of planning on the basis of fair prices in order to maintain and improve the standard of living of the people as a whole on the other. If the Provincial Government considers that such a distinction can be drawn, I am to request that it may give its views on both aspects when replying to the questionnaire.

6. I am to add that if the Provincial Government so desire, Sir V. T. Krishnamachari, the Chairman of the Sub-Committee will be glad to discuss the question with the Provincial Governments, before the Provincial Governments arrive at their conclusions.

7. In conclusion, I have to request that the views of the Provincial Government, and those of the different interests may kindly be typed on one side of the paper and four copies thereof forwarded direct to Mr. W. R. Natu, Statistical Advisor to the Government of India, Education, Health and Lands Department and Secretary, Agricultural Prices Sub-Committee, by the 31st May 1945.

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Department of Education, Health and Lands.

**Questionnaire.**

(1) It has been suggested that the aim of a policy of price fixation of agricultural produce should be to maintain prices at a level, which is fair to both the producer and the consumer. Do you agree with this view ?

(2) Should there be one basic price for a product and adjustment made therein for different regions, on the basis of normal parties or should the price be different for different regions ?

(3) How would you determine the fair price ? How far and to what extent should the following factors be taken into account for the purpose ?

(*a*) The cost of production—how would you determine such costs, to enable policy to be concretely formulated ? What elements should enter into cost ? Given that the same product has a different cost in different parts of India (or even within the same Province) shall there be differential prices, or shall all producers be given enough to cover marginal costs of the most disadvantageously situated producer or should the price cover the costs of the average producer ? Shall cost of production be periodically reassessed ?

(*b*) The price level of industrial products—what base period should be selected at which the ratio between agricultural prices and industrial prices were regarded as normal (e.g. the period before the onset of the Great Depression ?) What industrial products should be taken into account ? Should the prices of agricultural products like cotton, sugarcane, oilseeds etc. be determined in relation to the prices of the articles manufactured therefrom or should the prices of the manufactured articles be adjusted to the prices of agricultural products from which they are manufactured ?

(*c*) The desirability of the maintenance of output of agricultural produce or of effecting changes therein—should thus be construed as implying the same quantitative relationships between particular groups of products as that prevailing, (i) before the war, (ii) during the war, (iii) a 'target' relationship for the future? Or should the price be determined from season to season with a view to encourage or discourage production, as changing conditions may require from time to time?

(*d*) The desirability of maintaining an adequate standard of life for the cultivator and the landless labourer—how should the standard be determined? In particular what items should be regarded as essential for an adequate standard of life and what should be their proportionate significance, i.e. what weightage should be given to each?

(*e*) The prices of synthetic substitutes and competing products should the price of an agricultural product be determined in relation to the prices of the substitutes and competing products or should the prices of the substitutes and competing products be adjusted to the price of the agricultural product?

(*f*) Prices at different stages of the marketing process—should the price of an agricultural product at the primary stage be determined in relation to its prices at the subsequent stages in the marketing process, including the retail stage, or should the retail prices and the prices at earlier stages be adjusted to the price of the agricultural product at the primary stage.

(*g*) The incentive to effect agricultural improvements e.g. wells, anti-erosion measures, use of fertilizers, etc. and to increase agricultural efficiency.

(*h*) The purchasing power of the consumers.

(4) Should the fair price be fixed at a point or should it be fixed within a range, with a minimum and a maximum at both ends?

(5) When should the fair price be announced at sowing time, or after harvest? When would changes in prices be announced?

(6) For what period of time, should prices, once announced, remain fixed?

(7) Is it your experience that prices of groups of agricultural produce move together, so that fixing the prices of a few principal products would automatically lead to the gradual regulation of prices of others, by natural market forces? For what types of agricultural produce do you recommend that prices should be fixed?

(8) What administrative machinery do you recommend for determining fair prices? Do you agree with the view that this should be done by a Central agency? If so, should the central agency be a Department of the State or should it be a statutory body specially created for the purpose?

(9) What administrative machinery should be set up for the enforcement of prices? Should the machinery be central or Provincial and should

advisory bodies be attached to the administrative machinery ? Or should there be a special Commodity Organisation established for the purpose and if so, on what lines ?

(10) What measures would you advise for the enforcement of prices, as determined ?

(*a*) should the State give an undertaking to buy at all time any surplus in the market, which cannot be disposed of at the determined prices ? If not, what alternative measures would you recommend ?

(*b*) would you recommend the building up of buffer stocks ?

(*c*) what are the principles that should regulate sales from buffer stocks, within and outside the country, to make the price policy effective ?

(*d*) should there be any system of monopoly purchase ? If so, should this be done by guarantees to the trade or through a special commodity organisation or by direct State agency ?

(*e*) should the State have the right to control the volume of output through crop planning ?

(*f*) if prices rise above the determined price, should the State lower or abolish import duties in order to encourage further supplies ? If prices fall below the determined price, should the State raise or impose import duties or prohibit imports in order to discourage supplies ?

(*g*) should imports be a State monopoly, in order to implement the price policy ?

(*h*) should the State have the right to prohibit exports in order to prevent a rise in prices above the determined level ? What other alternatives would you suggest e.g. subsidies ?

(*i*) should exports be a State monopoly in order to implement price policy ?

(11) How can the financial resources necessary to carry out the measures recommended be obtained and how should the cost be allocated ?

(12) On what principles should the size of buffer stocks be determined in order to maintain prices and to tide over crop failures ?

(13) What is your experience of price fixation policies during the last five years ?

(14) How would you ensure an equitable distribution of the benefits of the price policy among the different agricultural classes e.g. tenants-at-will and labourers.

(15) What specific steps would you take to enforce a reorganisation of agriculture, in order to secure that full benefit accrues to the country from the contemplated expenditure on price policy ?

*Letter No. 1355, dated 4th June 1945, from Chamber to Reconstruction Department, Govt. of Bombay.*

I am directed to refer to your letter No. 10343|39-A(Agre) dated the 24th April 1945 and in reply to send to you herewith (with four extra copies) the views of my Committee on the above subject.

My Committee have considered the issues raised in the communication from the Government of India dated 20th March 1945 addressed to the Provincial Government as also in the questionnaire issued by the sub-Committee of the Policy Committee on Agriculture sent therewith.

As the fundamental object of a national plan is to increase the national income of the country and to raise the standard of living of the general masses of the people, and as the largest nmber of people in India live on agriculture, my Committee generally welcome the proposal that prices of agricultural products should be stabilised and that steps should be taken for securing an assured market for them. They have, however, recognised that this vital problem cannot be dealt with in isolation. It will have to be examined in the light of the existing social, political and economic conditions obtaining in the country.

The stabilization of prices of agricultural products will necessitate the drawing up of a carefully thought-out plan for the production of all agricultural products from year to year. It will call for the reduction or increase in the acreage of different crops under varying conditions of demand and supply, both internal and external, from time to time. In order to maintain the prices, after weighing the internal and external demand as compared to the existing supplies, Government will have to finance the particular crop and carry it over as the circumstances may warrant. It is difficult to visualise what financial assistance will have to be given for maintaining the stabilisation of fair prices of different agricultural commodities, as apart from the operation of the law of supply and demand, various other factors such as the storage and insurance charges, deterioration of commodities, the necessity of disposing them of at cheap rates will all have to be fully taken into consideration. The raising of the standard of living in the country will vitally affect any plan that may be evolved for the stabilization of prices as mentioned above.

It is essential that the pressure on land will have to be alleviated or considerably shifted. This can only be achieved if schemes for the rapid industrialisation of India are put into effect at an early date. Apart from such industrialization absorbing a number of agricultural products in the expanded manufacturing activities in the country, it will promote a balanced economy as between agriculture and industry. This will remove pressure from land and create new wealth which will raise the standard of living in the country. My Committee, therefore, feel that unless all these conditions are properly created in the country, the problem of the stabilization of prices of agricultural products and of finding assured markets for them cannot be effectively solved. My Committee further want to make

it clear that unless the following conditions are satisfied, they do not think that it will be possible to achieve the object which Government have in view.

Under the existing devolution of powers, agriculture and matters relating thereto are provincial subjects. It will be the Provincial Governments which will be mainly responsible for regulating matters in this sphere with reference to the respective Provinces. Moreover, it is competent to the Indian States to lay down such policy in regard to their agriculture as they consider best in their interests. Regulation in regard to agricultural prices within their territories will be exclusively the concern of the authorities of these States. Unless, therefore, the Government of India secure a definite assurance from the Provinces and the Indian States that they will agree to enforce a uniform policy throughout the territories under their control for the stabilisation of prices of agricultural products that the Central Government may lay down, it is obvious that the plan in view cannot be worked successfully. It is, therefore, essential to ascertain the views of the Provinces and the Indian States on this vital matter before any further progress is made with the proposal that has been formulated.

My Committee further consider it quite imperative that a National Government responsible to the people alone can determine satisfactorily all problems connected with the stabilisation of prices of agricultural products in the post-war period. Such long-range problems cannot be tackled except by a representative Government, inspiring confidence in the public mind. My Committee, therefore, feel that in the absence of a responsible Government at the Centre, and in the absence of a definite assurance from the Provinces and the Indian States, that they will be agreeable to enforce a policy that may be laid down by the Central Government in this matter, it is at this stage premature to go into the various points raised in the questionnaire.

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## APPENDIX 134

### Questionnaire issued by the Marketing Committee re. Improvement of Agricultural Marketing in India

*Letter No.* 3442, *dated 27th December* 1945, *from Chamber to Marketing Sub-Committee, Ajmer.*

With reference to the above matter, my Committee have now considered the Questionnaire issued by the Marketing Sub-Committee of the Policy Committee No. 5 (Post-war Reconstruction), on the subject of improvement of Agricultural Marketing in India. They have, in this connection, desired me to convey to you their views as under :

Many of the questions in the Questionnaire call for factual information regarding existing facilities in various marketing centres in the matter of markets, market functionaries, communication and means of transport, financing facilities in the shape of future markets, news service, regulations

governing weights and measures etc. My Committee feel that collection of such factual data should be undertaken by the Marketing Committee themselves and the various Provincial Governments through special investigators or other agencies appointed for the purpose, or through appropriate departments of the respective Provincial Governments. A public body like this Chamber can be expected only to express views on proposals for improvement or measures necessary to put agricultural marketing on a sound basis. It is, therefore, felt that your Committee should endeavour to collect the preliminary factual data through agencies as indicated above and that, after such preliminary investigation, the findings and proposals of your Committee in regard to measures necessary for the improvement of agricultural marketing in India, might be sent round for eliciting public opinion. My Committee, on that occasion, would be prepared to examine the proposals of your Committee and formulate their views and suggestions based on the same.

The questionnaire includes certain questions, asking for the views of my Committee on the proposal for the establishment of licensed warehouses to facilitate agricultural marketing. The need for such warehouses had been felt in the past and the Central Banking Enquiry Committee had recommended steps in that direction. My Committee are in favour of the proposal and approve of the idea of licensed warehouses under Government control for the purpose. At the same time, the institution of a system of licensed warehouses should not prevent private parties from maintaining warehouses as at present, the only limitation being that such private warehouses should not be entitled to the privilege proposed to be conferred on licensed warehouses by making receipts issued by them transferable by endorsement. Regarding detailed provisions of the draft Bill for the regulation of licensed warehouses in the country, my Committee would go into the question more fully and in greater detail when the legislation takes a practical and definite shape and the relevant Bill in its final form is introduced in the Legislature.

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## APPENDIX 135

### Interview with the Food Member, Government of India

*Speech delivered by Mr. M. A. Master, President Indian Merchants' Chamber, Bombay, on Friday, the 17th August 1945, while welcoming the Honourable Sir Jwala Prasad Srivastava, K.B.E., Member for Food, Government of India, on the occasion of his visit to the Chamber to meet the Members of the Committee of that Chamber.*

Sir Jwala Prasad Srivastava,

On behalf of the Committee of the Chamber and myself, I have great pleasure in welcoming you in our midst today. This is not the first time that you have been good enough to meet us. As you are at present in charge of a Department in which everyone of us is vitally interested, we always look

forward with pleasure for the opportunity to have an exchange of views with you. What man needs is adequate shelter, nutritious food and durable cloth. It is perhaps possible to do without a shelter or go without cloth for some time, but it is impossible to remain without food even for a day. That is why what your Department may have been doing is always a matter of perennial interest to us and, may I add, sometimes a matter of pressing anxiety ?

**Food Department—its obligations.**

2. The continuous supply of sufficient and nutritious food to the civil population has been recognised by all civilised countries as a responsibility of the State even during the war. That is why we understand the Food Department came into existence. There are two fundamental tasks with which, we understand, your Department has been entrusted. The first and foremost is to see that the available food in the country is equally distributed throughout the land. That is why food is secured from surplus Provinces and transported to deficit Provinces. The other vital matter with which your Department has to deal, is to increase the quantity of available food in the land. It is done by importing food from abroad. That is not always easy to accomplish when the war is on. It, therefore, becomes the duty of the Government to increase the quantity of food grown in the country. Government have, therefore, initiated the propaganda for the " Grow-More-Food ' campaign. It will be appreciated that the Grow-More-Food campaign connotes not only the bringing of more land under cultivation but it also postulates the increase in the yield of the crops grown. The supply of seed in sufficient quantity and of good quality, the procurement and manufacture of proper fertilizers, the preservation of the cattle-wealth of the country and the securing of agricultural implements, all these are, I have no doubt, you will agree with us, essential to the success of any plan for Grow-More-Food that may be devised by Government. The duty of your Department does not, however, end with the supply of sufficient food. It has been recognised that its important task is also to see that the people get a nutritious diet. These are some of the duties with which, broadly speaking, your Department has been entrusted, and we would, therefore like to seek further light and information in regard to certain points, so that we can understand how your Department has been acting and what steps it has been taking for ensuring sufficient and nutritious food for the people of this country.

**Grow-More-Food campaign—additional crop.**

3. It is very difficult to know what the total quantity of foodgrains to be grown in the country should be, so that every one can get the food he needs and that too in sufficient quantity. It is a matter of regret that no reliable statistics are available in this connection. The basic plan adopted by your Department deals with four important items of staple food of the people. We understand they are wheat, gram, rice and millets. In the last Memorandum on the food situation in India, published in July 1944,

it has been stated that the total 1943|44 rice crop was estimated at 3,06,03,000 tons. It also added that the average of the rice crop for the five years ending 1941|42 was 2,49,21,000 tons. It will be realised that, according to the figures mentioned above, India grew an additional 56,82,000 tons of rice in 1943|44, as compared with the average quantity grown during the previous five years. Did not the deficit Provinces, however, experience shortage of rice in spite of this large additional crop? Would you be good enough to tell us how this additional surplus was dealt with? We do not know whether your Department found the estimates correct or not. We would like to know what the real outturn of the rice crop in 1943|44 was. Will you be good enough to tell us what additional acreage of land was brought under rice cultivation in 1943|44, as compared with the previous five years, and what additional quantity of rice was yielded by this additional land brought under the plough? In order that the public can intelligently understand how the "Grow-More-Food" campaign has produced additional quantity of wheat, rice, gram and millets during the last two or three years, it is necessary for you to tell us what additional acreage of land was brought under the plough for all these crops and what additional tonnage of crop was yielded as a resullt thereof, as compared with the average of the previous five years. That will enable us to understand not only the extent of the success of the "Grow-More-Food" campaign, but it will also bring home to us what additional food was made available in the country by the efforts of your Department.

**Lessons of Bengal Tragedy.**

4. You will no doubt appreciate our request to you to give us this information, because you are aware that the Bengal disaster has given a rude shock to the country and has shaken its faith in the ability of the Government to provide food in time for the starving population of the land. Although the Famine Inquiry Commission on Bengal has been frank enough to say in their recent Report that "a million and a half of the poor of Bengal fell victims under circumstances for which they themselves were not responsible", the popular estimate puts down the number of the victims at a much higher figure. It is not my purpose here to discuss the grave problems connected with the Bengal Tragedy, but you will permit me to say that there are one or two points on which the public would like to be reassured. The Government of India have often recounted the benefits which the British rule in this country has conferred upon people and they have always recalled with pride that the abolition of famine was one of them. I wonder whether you will not, Sir, agree with the popular verdict that the Bengal tagedy of 1943 does no credit to the Government, and cannot justify their claim that famine was a matter of the past in India. We would like to know what measures the Government propose to take in the light of the revelations of the Bengal tragedy to ensure that such a calamity will not befall the people of the land in the future.

5. The people of this land are convinced that the Secretary of State for India did not discharge the grave responsibilities which rested on him

for taking effective steps for preventing the Bengal tragedy. You have been, Sir, however, good enough to say that, "if it were not for his (Mr. Amery's) help in arranging the imports, the result of the famine would have been far worse". You have been pleased to add that the criticism that Mr. Amery was responsible for the Bengal famine is an "atrocious lie". India, however, does not know and has not been told what Christian acts were performed by Mr. Amery in that tragic and critical period to deserve the certificate of good conduct, which you have been pleased to give him. I can assure you, Sir, that there is no intention on my part to question your judgment; but you will, I hope, not mind my stating frankly that the public, in view of the bitter experience that this country has got, cannot endorse it. The people think, and think rightly, that the Bengal tragedy could have been averted, had food been carried to the starving people of Bengal in time either from internal sources or by foreign imports. I shall, however, not pursue this painful episode any further; but I cannot help saying that it hurts our national pride to be told that the responsible authorities in England properly discharged their duties towards Indians, but perhaps because it was destined for the Indians that they should die, and hence it was that all that was done for them from across the seas could not save them from the tragedy that overtook them.

**How Britain has increased her foodgrains—What about India?**

6. It is, however, interesting to note the steps which Great Britain has taken to increase the production of her foodstuffs. We cannot forget the fact that England was far more in the midst of war than India. The man and woman power of England was far more engaged in activities directly connected with the war than the people in this country. And yet it is remarkable that while the land under the plough was 12.9 million acres in 1939, nearly 6½ million acres of additional land were brought under the plough by 1944. As regards the additional quantity of wheat, barley, oats and sugar beet produced by bringing more land under the plough, the following figures are very significant:—

| | 1939 | 1943 |
|---|---|---|
| | Tons (In thousands) | Tons (In thousands) |
| Wheat | 16.45 | 34.49 |
| Barley | 8.92 | 16.41 |
| Oats | 20.03 | 30.59 |
| Sugar beet | 35.29 | 37.60 |
| Total | 80.69 | 119.09 |

It will be noticed that the production of three important items of foodstuffs and sugar went up from 80,69,000 tons in 1939 to 1,19,09,000 tons in 1943. With the bringing of nearly 50 per cent. of more land under the plough,

England was able to get an additional 50 per cent of production of staple food including sugar. We shall thank you to let us kow how the additional land brought under cultivation under the "Grow-More-Food" campaign and the consequent additional production of foodstuffs in this country compared with the results achieved in Great Britain. In the absence of any relative figures available to the public, it will be appreciated that they cannot judge how far the "Grow-More-Food" campaign has succeeded in India and what efforts the Government have made to increase the growth of these foodstuffs in the country which are badly required for feeding the civil population.

**Production of additional vegetables and fruits in Great Britain—position in India.**

7. You are, no doubt, aware, Sir, of the fact that model farms have been laid out for the Military where vegetables and fruits are grown. We do not know whether the Government have encouraged the bringing into existence of such farms to meet the growing requirements of the civil population. Here also, I have no doubt, it would be noted with interest what England has done during the period of the war. I give below the figures of the production of potatoes, vegetables and fruits in 1939, as compared with their production in 1943:

| | 1939 | 1943 |
|---|---|---|
| | Tons (In Thousands) | Tons (In Thousands) |
| Potatoes | 52.16 | 98.22 |
| Vegetables | 24.28 | 31.97 |
| Fruit | 8.36 | 7.05 |
| | 84.80 | 137.24 |

The revelation which these figures make is no doubt very instructive. From an annual production of vegetables and fruit of 84,80,000 tons in 1939, England raised it in 1943 to 1,37,24,000 tons, an increase of over 60 per cent. on the pre-war level. It will be recognised that England had the foresight, the decision and the ability to devise and execute an efficient plan not only to meet the gap caused by the increasing reduction in the import of foodstuffs, but also to meet the growing needs both of the civil and the military population. Vegetables and fruit play an important part in the diet of a people. May we, therefore, know what steps the Government of India have taken in this matter or what steps they propose to take so that the relative economy of foodstuffs, vegetables and fruits may be effectively promoted for ensuring the supply of a nutritive diet to the people of this country.

## Need of a Nutritious Diet.

8. We understand that the question of determining the elements and requirements of a balanced diet was considered at the last session of the Food Advisory Council. We do not know what steps the Government have decided to take to see that the people get such diet. We wonder if it is not a fact that the nutritional contents of the present day foodstuffs have been deteriorating. We would like to know whether the Government have made any detailed enquiry in the matter and if so, what the results of their enquiry are. We have no doubt the Government recognise the fact that it is essential for the health of the people that the food that they eat should have all the elements which go to make up for proper nutrition. We shall be glad if you will be good enough to enlighten us on the subject as to what you propose to do in this connection.

9. The question of nutrition naturally brings to our mind the question of sufficient supply of proper quality of milk and milk products to the people. I do not wish to criticise on this occasion the system under which milk is supplied to children, expectant and nursing mothers in this city. I also do not wish to raise the question as regards the desirability or otherwise of importing skimmed milk. You will, Sir, however, agree with me that India is predominantly an agricultural country. India is therefore expected to have milk in such quantity as would meet the requirements of everyone in the country. It will, therefore, be indeed a cruel irony of fate if India is compelled to import and drink skimmed milk. There are two important questions which require careful consideration in regard to the supply of good milk. We have first to preserve our cattle-wealth and secondly we have to take care to see that the cattle get the proper fodder and good quality of cattle feed.

## Preservation of the Cattle-wealth of India.

10. Let me deal first with the question of cattle-wealth. I do not know, Sir, whether your Department is primarily concerned with the preservation of cattle or not. You will, however, agree with me that when we are considering the question of food and diet required by our people, it is essential that we should consider all questions connected with the supply of good milk and milk products. The Committee of this Chamber are of the opinion that the Government should, by a legal enactment, prohibit the slaughter of cows and buffaloes in milk, cows and buffaloes that may be pregnant or may be capable of breeding, all milch-cattle, all bulls fit for work and all bullocks in good health below the age of 15 years. Any breach of such an enactment should be made a penal offence.

11. We are, of course, aware of the several orders issued by the Government for preventing the slaughter of cattle. They have, I regret to say, not achieved the real object that we all have in view. The Legislative Assembly was informed in April last that from the beginning of 1940 till the end of 1944, 8,59,220 cattle were slaughtered for military purposes. The result has been that the price of cattle has witnessed a tremendous rise. Not

only does the slaughter of cattle prevent the country from getting the necessary quantity of milk, but it also has a seriously detrimental effect on the agricultural operations in the country. The greater the reduction in the cattle-wealth of the country, the more serious will be the effect on the agricultural economy of the land. We shall, therefore, be obliged if you will kindly tell us what effective measures the Government now propose to take to ensure that not only are no cattle exported, but that the existing cattle wealth is preserved and steps are also taken to increase it.

12. Adequate supply of fodder and proper and adequate supply of cattle feed are essential to keep the cattle of the country in proper trim. Difficulties are being experienced in both these directions. It is the common experience of the owners of cattle in the city and suburbs that not only do they not get adequate quantity of cattle feed but such quantity of cattle feed as they get is often of poor quality. You are, Sir, no doubt, aware of the fact that large quantities of fodder crops were grown in the United Kingdom, with a view to maintain the production of milk. Efforts have also been made in that country to increase the number of dairy cows to off-set the decline in milk yields per cow which has resulted from the lack of feeding stuffs. The result has been that while the total cattle in the United Kingdom in 1939 was 8.9 millions, it went up to 9.5 millions in 1944. We should like to know whether there has been an increase in the cattle-wealth of India at the end of 1944, as compared to what it was in 1939; we shall be happy if you will tell us what the Government propose to do for preserving the cattle-wealth of the country for promoting its agricultural economy as well as for securing proper supply of milk to the people in this land.

**What steps have been taken to increase the yield of staple crops?**

13. One of the most vital aspects of the problem of growing more food in the country, is the devising of methods for securing a greater yield of the crops produced in the land. At present, as you are aware, Sir, the yield of our staple crops is far below the yield of similar crops in other countries. According to the Report on the Marketing of Rice in India, published in 1941, the average yield of rice per acre in India has gone down from 907 lbs. in 1929|30 to 728 lbs. per acre in 1938|39. It will be instructive to note that the average yield of rice per acre was 1,471 lbs. in America; 2,305 lbs. in Japan; and 3,258 lbs. in Italy during the year 1937|38. I have given the details of the yield of rice in different countries, because it is the one single article of staple food which is grown in the largest quantity in India. It is, therefore, of great importance that steps should be taken to increase this yield. We are of the opinion that the agriculturist requires better seed, proper agricultural implements and, above all, rich manure in order that the yield per acre may appreciably increase. These are some of the most important methods to increase the crop grown in this country. You will forgive me if I tell you from my own personal experience that people find it extremely difficult even to get the seeds that they require to help the Government in their "Grow-More-Food" campaign. We shall, therefore, thank you to let us know what steps the Government have taken or propose to take in increas-

ing this yield and what facilities the Government propose to give the farmers for securing the same.

**Place of Groundnuts and Groundnut oil in the economy of Foodstuffs.**

14. The groundnut is an article of great importance in the economy of the foodstuffs required in the country. There was a time when groundnuts were considered merely as a commercial crop and were chiefly exported to foreign lands. The war has taught us to recognise that not only do they form an important article of food for the people of the land, but that the oil extracted from groundnuts also plays an important part in providing a suitable material in place of the Ghee produced out of milk. Moreover, the groundnut cakes serve as an important manure for our agricultural land. They also provide fodder for our cattle. It is, therefore, essential that the Government should make it clear that they would not allow the groundnuts and the groundnut oil to go out of the country except under definite and stated circumstances.

15. We have referred to the groundnut oil, which, when refined, is known as Vanaspati Ghee in common parlance. We understand that the Government of India have laid down both a short-term and a long-range policy for the production of this ghee. We do not, however, know what that policy is; we are not aware of the principles on which it is based. Instances, however, were very recently brought to the notice of the Committee of this Chamber that the parties who were promised that they would be given the necessary licence for importing the necessary machinery for the production of Vegetable Ghee were later on informed that they would not be given the necessary permission to do so, on account of a change in the policy of the Government. We shall, therefore, be obliged if you will kindly take us into your confidence and give us a clear idea as to what is the short-term and the long-range policy of the Government in this matter.

**Procurement—Current and Emergency Requirements.**

16. We do not propose to discuss the question of procurement in all its bearings. Four different methods have been adopted by the Government for this purpose. We are of the opinion that the system of compulsory levy which has been resorted to in this Province should be done away with. We are also anxious to see that the normal channels of trade obtain their proper place at an early date, both in the matter of procurement as well as in the field of distribution. We shall be glad if you will kindly tell us what the Government propose to do in this connection. You will also remember, Sir, that one of the fundamental recommendations in the Report of the Gregory Committee is that a million tons of foodgrains should be imported per year to meet the current requirements of the year. It also made another important recommendation, namely, that 500,000 tons of foodgrains should be imported and should be kept as a Central Foodgrains Reserve to meet any special emergency in the country. We shall thank you to let us know the quantity imported last year and intended to be imported this year to meet the current requirements. We shall also be obliged if you

will tell us how far the Government have proceeded with the building up of a Central Foodgrains Reserve. These are really very important matters and we would like to be re-assured that all effective steps are taken to carry out these fundamental recommendations of the Gregory Committee.

**Rice from Burma.**

17. You are aware, Sir, that before the Japs occupied Burma, India used to import nearly 1½ to 2 million tons of Burma rice. Since then, India has experienced an acute shortage of that staple foodstuff. It is true that the Government, under their "Grow-More-Food" policy, would bring more land under the cultivation of rice. We expect that the Government would also take important measures for increasing the yield of the production of rice. You are, however, aware, Sir, of the fact that the population of India has been growing apace. India will, therefore, naturally require a larger quantity of foodstuffs than what it has been producing so far. It is, therefore, essential that every encouragement should be given for the retention and maintenance of that trade between Burma and India in the hands of those Indian merchants who have built it up in the past at considerable sacrifice. May we bring to your notice the fact that it was after the Indian merchants went to Burma that the acreage under rice cultivation in that country increased from four million to twelve million acres and it was the Indian merchants that developed the export trade between Burma and India from a few thousand tons to nearly 2 million tons before the outbreak of the war. While supplying the much-needed rice required by India, this important trade has played also a useful part in enriching the Burmese national economy. Now that Burma has been liberated, India will be importing rice from that country. We are aware of the fact that the exportable surplus of rice will be sold at present under the arrangement arrived at by the Combined Food Board to the British Ministry of Food. It will be this Ministry of Food that will be allotting the available surplus to such countries as would need them most. Whatever the immediate arrangement for such distribution may be, and howsoever justified it may be, you will agree with us that taking a long-range view it is imperative to ensure that the trade in rice between India and Burma remains with the normal channels from the very start, and we have no doubt that you will do everything in your power to see that any quantity of rice that may be imported from Burma into India now is imported through the Indian merchants who have built up that trade at considerable sacrifice in the past.

18. I have to thank you again for sparing your time and coming here and meeting the Committee of this Chamber. I now request you to kindly give us the benefit of your views and advice in regard to the various points that I have dealt with in my speech.

**The following is a summary of the replies of the Hon'ble Member:—**

At the outset the Hon'ble Sir Jwala Prasad Srivastava thanked the Committee for the opportunity given to him to meet them to exchange views

on matters relating to Food production and supply in the country. He added that he always found such discussions to be of considerable use and guidance to him.

He pointed out that some of the questions raised by the President in his speech were not the exclusive concern of his Department. In fact, certain aspects came directly under the Department of Education, Health and Lands. As, however, he received on advance copy of the President's speech only after his arrival in Bombay, he had not the advantage of prior consultation on such issues with the other Departments. He, however, promised to pass the relevant portions of the speech to the other Departments concerned, after his return to Head-quarters, for their information and comments. He also complimented the President on the comprehensive nature of his memorandum on the points for discussion.

1. **"Grow-More-Food" campaign:**

The Department of Education, Health and Lands had taken active steps to increase the production of foodgrains in the country. As a result of the Conference which was held in Delhi in April 1942, certain definite measures were recommended and they were actively adopted by the different Provincial Governments and the Indian States concerned. These measures were :—

1. Increasing the area under food and fodder crops by :—
   (*a*) bringing new land, including fallow land, under cultivation;
   (*b*) double crops;
   (*c*) diverting land from non-food to food crops.
2. Increasing irrigation facilities by improving and extending canals, sinking tube wells, etc.
3. Stimulating production by extended use of manures and fertilizers etc. and by the supply of good seeds.

He had not with him, at the moment, detailed figures of the results achieved, nor of the exact amounts of expenditure incurred for different purposes. Grants had been given by the Central Government to the Provincial Government on a 50 : 50 basis. During the two years 1943|44 and 1944|45, the grants sanctioned amounted to Rs. 2 crores and 80 lakhs. In addition, the Central Government had also given loans amounting to nearly Rs. 3 crores. Provincial and State Governments must have also spent equal amounts in all such measures, if not more. Illustrating the progress achieved, he mentioned the following figures relating to rice cultivation and production in the country, excluding Bengal :

| | Acres under rice cultivation. | Yield. |
|---|---|---|
| 1942\|43 | 51.9 million acres | 17.9 million tons |
| 1943\|44 | 53.4 " | 18.8 " |

There was, thus, an increase of about one million tons of rice production within one year, excluding Bengal. The position relating to Bengal was as under:

| | | |
|---|---|---|
| 1942\|43 | 23.3 million acres | 7 million tons |
| 1943\|44 | 24.6 „ | 10.3 „ |

Thus, as a result of the "Grow More Food" campaign, there had been a substantial increase in rice production in India. The question naturally arose as to where all this rice had gone. It was reasonable to assume that the producers had held back larger quantities for their own consumption. The cash requirements of the ryots were met by the sale of reduced quantities at higher prices and there was naturally an inclination on the part of the producers to hold back more grains for their own use and as reserve. It was not always possible for Government to procure the entire surplus from the ryots. This factor, perhaps, explained as to why, notwithstanding increased production, there had not been correspondingly increased supplies available for distribution.

When his attention, however, was drawn to the disparity as between the figures given by him at the meeting and those contained in the Memorandum on Food situation in India published in July 1944, according to which the additional yield of rice in 1943|44 was estimated at 56,82,000 tons, the Hon'ble Member observed that the earlier figures referred by the Committee were found to be inaccurate. He added that these figures were prepared from estimates received from the Provincial authorities and the Governments of the Indian States. Government's own figures would naturally have to be based on such estimates. There was no method of physical verification of the actual quantities produced particularly in regard to the yield of foodcrops. To that extent, therefore, there were chances of figures relating to yield being not entirely reliable. A suggestion was made during the course of the discussion that Government should arrange to publish at fixed intervals statements showing the area and yield under each major food crops in the country distinguishing what additional areas and crops had been grown as a result of the "Grow More Food" campaign. The Hon'ble Member agreed that it could be done and promised to look into the matter.

He also detailed the several steps that had been taken by Government for supplying manures and for providing agricultural implements to the ryots. He added that it was the intention of Government to put up a number of factories for manufacturing chemical fertilizers and they had also under contemplation schemes for generation of electric power for agricultural purposes. The cessation of hostilities would also enable larger allotments of steel for making agricultural implements in sufficient quantities. Thus, although much still remains to be done in regard to the "Grow More Food" campaign, the Government of India and the Provincial Governments had been pursuing the matter with vigour and that their efforts had been attended by a good measure of success. Referring to the remarks of the President regarding the success which had attended the efforts of the U.K. authorities in increasing agricultural and food products, the Hon'ble

Member observed that conditions in the two countries were not exactly similar; in England the area to be covered was much smaller and naturally more concentrated efforts were possible in consequence. It must also be remembered that in the United Kingdom only 11% of the land was cultivated before the war and the percentage had now been raised to 20. In India, however, 36% of the land was already cultivated before the war, and this had been raised to 39%. When the area cultivated was already near the maximum, a further increase was a much more difficult matter.

2. **Production of additional vegetables and fruits, etc.:**

In order to relieve the drain on civil supplies by the demand for vegetables and fruits for meeting the military requirements, steps were taken to encourage the military authorities to start their own farms. These farms had proved a considerable success and in almost all centres of military activity, the entire requirements of vegetable for the military were being met from the production of these farms. In other places, also, the purchases made for military purposes were controlled. The arrangement was that the Provincial Government concerned got the vegetables produced by ordinary cultivators on their own holdings, the military authorities agreeing to take over all that was produced at fixed prices. This device ensured that military demand did not unduly interfere with the normal flow of supplies to the civil population.

In reply to a specific question regarding the future policy of Government in the matter of preserving and running the military vegetable farms which had come into existence during the war, the Hon'ble Member agreed that attempts would be made to run and preserve such farms even at some cost to Government. He, however, felt that this was a matter in which the primary decision would have to be taken by the Provincial Governments. In any case, the problem was under active consideration and it was not likely that Government would allow these farms to die out with the end of the war.

3. **Need of Nutritious Diet:**

The Food Department were alive to this aspect of the problem. They had undertaken extensive enquiries in regard to the requirements of a balanced diet for the people. A Planning Section in the Department was going into the entire matter and he expected that Government would be taking energetic action with a view to securing for the ordinary man a well-balanced and more nutritious diet.

4. **Preservation of the cattle wealth of the country:**

He agreed that there was a diminution in the cattle wealth of the country. This was particularly due to the fact that in the earlier stages prices of foodgrains and cattle feed rose with the result that owners being unable to feed all the heads of cattle belonging to them, sold off young ones which were of no immediate use. Shortage of mechanical transport further led to a diversion of cattle for transport purposes. There was, moreover, increased slaughter for meeting the requirements of the military. The

position, however, considerably improved after the issue of orders protecting certain categories of cattle. These orders were being strictly enforced and there was at present in every slaughter house a Veterinary Surgeon who certified that the animals tendered for slaughter did not come within the protected classes. A census in regard to cattle had been undertaken last January and exact information about the present position could be expected shortly. It must, however, be realised that it was not very easy to make good the shortage immediately. In reply to a question, he informed that as far as he was aware, there was no export of cattle from the country.

5. **Exports of Oilseeds:**

Government had stopped exports of groundnuts. There was, however, a surplus of oilseeds production in the country and it was the intention of Government to allow exports only in the form of oil. This policy would have the added advantage that the resultant cake would be available to the country for manure purposes. The allotments made to the U.N.R.R.A. was also intended to be allowed in the form of oil.

Regarding manufacture of Vegetable Ghee, he said that Government had formulated both a short-term and a long-range policy. Under the short-term policy Government had decided to increase production by one lakh of tons and had given priority for establishment of factories in centres where groundnut was grown. In the past these factories had been centred mostly in the North and it was the intention of Government to secure a more planned development of this industry so that factories were established in areas where the raw material was available and where edible fat was in short supply.

In reply to an enquiry the Hon'ble Member mentioned that priorities for establishment of new factories and for expanding existing units were given only in consultation with Provincial Governments concerned.

The long-range policy which Government contemplated would deal with the expansion of existing units. A Committee consisting of technical men, consumers and others interested had been set up for purposes of making recommendations in regard to the future of this industry. The case of existing units for assistance for expansion would be considered as part of the long-range proposals. The Hon. Member made it clear that the licences granted for establishing new factories were not transferable.

6. **Supplies of Rice from Burma:**

He agreed that as mentioned by the Committee, surplus rice supplies from Burma had been placed at the disposal of the London Food Board. There was a regular scramble for allotment of shares from that supply and India would have to put up a fight to get her requirements of Burma rice. He was in entire sympathy with the views expressed by the Committee that the handling of the export trade in rice from Burma should be restored to the Indian merchants. The Government of India had already represented that aspect to the authorities concerned.

After the President had again thanked the Honourable Member for the detailed nature of his replies, the meeting terminated.

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## APPENDIX 136

### Milk Supply.

*Letter No.* 1574, *dated* 23*rd June* 1945, *from Chamber to Finance Department (Supply), Govt. of Bombay.*

I am directed by my Committee to refer to the letter No. 1592/45, dated 31st May 1945 from Rao Bahadur J. N. Mankar, Secretary, The Bombay Humanitarian League, addressed to Sir Henry F. Knight, C.S.I., C.I.E., I.C.S., the then Governor of Bombay, on the above subject, a copy of which was forwarded to this Chamber, and to request you to take appropriate and early action on the same.

My Committee think that the measures suggested by Rao Bahadur Mankar are both practical and valuable, and by making possible a substantial augmentation of the supply of milk, will help to a great extent in solving the milk problem with which Government have been confronted for a long time. A substantial reduction in the slaughter of buffaloes in general and a prohibition, in particular, of the slaughter of buffaloes in good health under 15 years of age, pregnant and in milk and buffaloes capable of regeneration, are, my Committee think, necessary steps in this connection, particularly in view of the fact that the Government of Bombay have failed in their attempts to secure an adequate supply of buffaloes from other provinces. This will naturally require an inspection of the cattle before they are sent for slaughter. Government will do well, my Committee are of opinion, to nominate, as suggested by Rao Bahadur Mankar, non-officials on the Board of Inspection that may be set up for this purpose. They also urge that arrangements should also be made for regular visits of the slaughter houses by representatives of Associations like the Bombay Humanitarian League, the Bombay Goraksha Mandali, and Ghatkopar Sarvajanik Jiv Daya Khata, with a view to ensuring that the restrictions by law are carried out. Moreover, in their opinion, Government should make it obligatory, both for the civilians and the military authorities, to send their "dry" cattle for salvage and should make arrangements for the same.

Finally, my Committee endorse Rao Bahadur Mankar's suggestion that Government should extend the same facilities to the small Gowlies as are made available to the big Gowlies and Dairies, particularly as more than three-fourth of the milk supply comes from them.

My Committee feel that these and other suggestions made by Rao Bahadur Mankar, properly implemented, are calculated to ensure an adequate and steady supply of milk not only for the present but for the future as well.

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## APPENDIX 137

### Slaughter of pregnant cows and goats for skins and peltings

*Letter No.* 3312, *dated 7th December* 1945, *from Chamber to Member for Agriculture, Govt. of India.*

Your attention must, perhaps, have been drawn to the report which appeared recently in the press regarding questions put in the House of Commons on the practice of slaughtering pregnant sheep with a view to securing supplies of special qualities of skin of unborn or newly born lambs for purposes of trade. When the above question was put by Mr. Peter Freeman in the House of Commons, Mr. Arthur Henderson, the Under-Secretary for India, is reported to have observed that he had been unable to find any evidence that the trade existed depending on the practice referred to in the question. He added that if Mr. Freeman were to furnish him with information on which the question was based, he would consider whether there was a case for asking the authorities in India for a report. My Committee would like to draw your personal attention to the abuse of the trade practice referred to above. The practice of slaughter of pregnant cows and goats for the purpose of getting kid pelts and skins of unborns or newly borns is understood to be prevalent in centres in the Punjab and the U.P. Publication No. 61 on the "Tanning Industry in the Punjab" (by Mr. Roshan Lal Anand) sponsored by the Board of Economic Enquiry, Punjab, gives detailed information in regard to this practice which goes to confirm the fear that the same is not a stray incident, but amounts to what may be called a regular trade operation. I am desired to send to you herewith extracts which appeared recently in the press, of observations pertaining to this question from that publication. It is obvious therefrom that the external demand for skins of unborn calves has grown and had led to the pernicious operation of killing pregnant cows for such skins. Similarly, a growing trade in lambs and kid peltings is responsible for increased slaughter of lambs and sheep.

The practice, apart from being extremely inhuman, is one which cannot be condemned too strongly. Causing abortion to or killing the mother, destroys both the mother and the child in the embryo. Steps should be taken to end the abuse and the Government of India should lose no time in completely prohibiting such a practice. My Committee request that you will be pleased to give this matter your personal attention and let them know, at an early date, as to what steps you propose to take to eradicate the evil.

*Letter No.* 5594-PII|45, *dated 17th December* 1945, *from Department of Agriculture, Govt. of India to Chamber.*

I am directed to refer to your letter dated the 7th December, 1945 and to point out that the statements made by Mr. Roshan Lal Anand and Mr. Lucas refer to a period prior to 1939. I am to request that it may kindly be indicated whether there is any evidence of the practice mentioned pre-

vailing at present i.e. during the last 2 or 3 years. I am to point out in this connection that most provinces have prohibited the slaughter of all pregnant cows.

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## APPENDIX 138

### Ban on the use of milk in Tea and Coffee by Hotels and Restaurants etc.

*Letter No. 826, dated 24th March 1945, from Chamber to Finance Department (Supply), Govt. of Bombay.*

The Committee of this Chamber have been recently considering the latest Order issued by the Government of Bombay prohibiting the use of fresh milk for tea, coffee or whatsoever preparations in hotels, eating houses, restaurants, etc. and requiring these establishments to use skimmed milk powder instead. This Order affects the public, hotel-keepers, Gowlis, milk vendors, etc. The apparent object of the Order is to save milk for children, expectant and nursing mothers. My Committee appreciate the object underlying the Order, as they agree with Government that it is vitally essential in the interests of the health of the children and expectant and nursing mothers that they should have as much milk as possible. The total supply of milk in Bombay is about 7,000 maunds per day, while the hotel consumption was estimated at about 2,600 maunds. The use of skimmed milk and the prohibition of fresh milk for use in tea, coffee, etc. will thus save about 2,600 maunds per day for the children and expectant and nursing mothers. While my Committee welcome and approve of the arrangements for subsidising the distribution of milk to children and expectant and nursing mothers, they are not in favour of the use of skimmed milk being encouraged in any manner as a substitute for milk. For hundreds of thousands of poor people their daily portion of tea with the small quantity of milk contained in it is the only nourishment which they can afford. If even this quantity is thus taken away and they are reduced to use skimmed milk in their tea, the reaction on their health will be disastrous. The experience of the hotel-keepers has already proved that the people in general do not approve of skimmed milk in their tea. The ban therefore on the use of milk in hotels and restaurants should be lifted, and to that end concentrated efforts made for securing increased supply of fresh milk.

In order to secure supply of good fresh milk for expectant and nursing mothers and children, my Committee strongly urge the desirability and necessity of getting supply of milk from outside Bombay, even from Gujarat by the use of refrigerator vans. Government may not be unaware of the scheme which was once broached before the Municipal Corporation for getting milk transported from North Gujerat, placing it here in air-conditioned rooms and distributing it to the public. All possible efforts should also be made to get increased number of milch-cattle from the sources of supply. My Committee realise that the price of milch-cattle has gone up tremendously; but surely the finances of Government may well be utilized

for getting such cattle. In short, efforts should be made to increase the supply of milk and to that end more milch-cattle should be brought into the city; arrangements should also be made for securing adequate supply of cattle-feeds and their distribution. There have been several schemes in the past of saving cattle from the slaughter houses and sending them in a dry stage to near-by pastures of land and then getting them back with calves from those pastures. My Committee would like to know the stage at which those schemes are at present. They will also be obliged if Government will be pleased to let them know the arrangements, if any, for getting supply of milch-cattle every month, supply needed, and arrangements for stabling them, the supply for the civil population and for military requirements near about Bombay, and at other places in the Province, particularly at Ahmednagar, Belgaum, Nasik and Poona. The whole question affects vitally the health of the people, and my Committee are, therefore, anxious that Government should devote their earnest and best consideration to it. My Committee may be allowed to summarise their fundamental points of view :—

(1) Distribution of milk to children and expectant and nursing mothers should be fostered and developed as much as possible.

(2) Securing adequate number of milch-cattle and sufficient supply of cattle-feed from all possible sources available for increasing the supply of milk in the city.

(3) Skimmed milk should be discouraged.

(4) The ban on use of milk in hotels, restaurants, etc. should be lifted, and concentrated efforts should be made for securing increased supply of milk.

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## APPENDIX 139

### Requisitioning of Residential Accommodation

*Letter No. 766, dated 17th March 1945, from Chamber to Revenue Department, Govt. of Bombay.*

I am directed by the Committee of the Indian Merchants' Chamber to bring to the notice of the Government the widespread feeling of alarm and indignation which exists amongst the people of this City, as a result of their recent policy in requisitioning residential quarters for Military purposes and to offer the following observations for their immediate and favourable consideration.

My Committee have no doubt that the Government are fully aware that there was a great shortage of living accommodation in the city even before the war broke out. The hardships caused by the shortage of accommodation were considerably aggravated during the war, when the population of the city went up from nearly 1½million to 2½ million people. This large increase in the population of the city was mainly due to the conditions

created by the war and a large portion of this increased population was actually taking part in the furtherance of the war effort. The shortage of dwellings became so acute that, as pointed out by the City Engineer, nearly 3½ lakhs of people had to sleep on the pavements of the city. These tragic conditions do not complete the tale of woes of the civil population. The explosions in the Docks in April last rendered a large number of people houseless and they had to shift for themselves to find such shelter as they could. The complete cessation of the building activities in the city, as a result of the control and monopoly of the building materials by the Government, deteriorated still further the situation which had become grave for want of accommodation in the city. My Committee are, therefore, constrained to remark that no Government, which recognise their obligations to the civil population in the city, would requisition their houses under the existing circumstances but would explore all other avenues open to them to find and create accommodation for the military personnel which they require.

The fact that Bombay is one of the most important bases for operation of the United Nations in the East has been known to all for several months past. I need not, however, add that my Committee have taken that fact fully into consideration in the request that they have made in the above paragraph. The public, however, do not know whether the Government have laid out any well-thought out schemes for securing accommodation for the large troops that would be moving to and from Bombay for the various theatres of war. The manner, however, in which houses and other accommodation have been requisitioned both in the city and the suburbs in the past, to the great disadvantage of the civil population, does not, my Committee regret to observe, indicate the existence of any well considered scheme for meeting the needs which the Government must have foreseen in this connection several months back. The opinion which my Committee hold in this connection receives further support from the way in which the military have requisitioned accommodation particularly on the Elphinstone Estate and at other places in the city. As His Excellency the Governor himself was pleased to observe the other day that he would see to it that "vital civilian interests are protected", it is quite essential for the Government to explore every possible avenue, outside the houses and dwellings of the civilian population, to find or provide accommodation for the requirements of the military.

The recent proposal, however, to requisition two buildings on the Marine Drive occupied by the civil population is in direct contravention of the assurance of His Excellency referred to above. An attempt has been made to make a distinction between the essential and non-essential population in the city. It is well-known that a large portion of the civil population is actually engaged in the war work and is consequently entitled to the same residential priority in the city as may be accorded to the troops and the training institutions of troops as well as to their movements. There are more than half a million persons engaged as labourers in the war work. Moreover, thousands of educated people are engaged either as employees of the Government or the employees of factories and organisations assisting

the Government in their war effort. All of them are, therefore, entitled to live in the city and it is obvious that they could not be and should not be disturbed in any way to meet the requirements of the troops that may be requiring accommodation in the city. My Committee would like further to emphasise the fact that the distinction which is attempted to be made between the essential and non-essential population will defeat the object which we all have in view, because a large portion of the city's population collaborates with those who are actually engaged in the war work and without whose services it will be impossible for them to carry on their war effort. For instance, all those shopkeepers who are recognised by the Government as assisting the work of rationing and all those merchants who spend anxious days and nights in getting supplies of food and other essential articles are as much entitled to the accommodation in the city as those who may actually come under the category of essential service. My Committee are, therefore, definitely of the opinion that if any such distinction is made and if steps are taken which will tend to dislodge such civilians from their houses and to induce them to quit the city, it will not only seriously affect the war effort, but it will also seriously lessen the importance of Bombay as a base for the operations of the war. It must therefore, be recognised that to attempt to requisition houses on the plea that they are not needed by people engaged in essential work is not only contrary to the assurance given by His Excellency the Governor to protect the vital civilian interests in the city, but it will also seriously shake the confidence of the people in the *bona fides* of Government in regard to their policy of requisition.

My Committee are further constrained to remark that the existing accommodation in the city at the disposal of the Government of India, the Provincial Government and the Military authorities has not been fully and adequately utilised. It is, therefore, necessary to make immediate inquiry and to ensure that all proper steps are taken to utilise effectively and fully all the accommodation in the city available at their disposal. There are several large plots of land available in the city and the suburbs, such as the huge plot of land on and near the Race Course at Mahalaxmi, on the maidan near the Fort and open spaces lying between Jogeshwari and Goregaon, where temporary structures could be erected or tents could be pitched to provide accommodation for the military as is being done in other places and in other cities in India. My Committee further venture to suggest that the Princes may be requested to place at the disposal of the Government, for providing accommodation for the military, their palatial dwellings in the city which they may not have been using as their residence for any length of time. The Government can usefully negotiate for the requisitioning of big Clubs and Gymkhanas in Bombay, for providing accommodation for the military, without any discrimination between the Indians and the non-Indians for that purpose and my Committee feel sure that the accommodation which such Clubs as the Yacht Club, the Byculla Club, the Bombay Gymkhana, etc., will be able to provide is bound to meet their urgent needs and ease the situation. Another direction in which relief may be sought is to inquire whether the evacuees and other foreigners may not be requested

to leave the city, if they are not engaged in any work connected with the war. The point which my Committee are anxious to emphasise is that the Government should not touch the residential quarters of the people in the city for finding accommodation for the military personnel, but they should explore other means, some of which have been indicated above, to meet the requirements for the accommodation of the military personnel which they need at present or in the near future.

My Committee understand that a Standing Quartering Board has been considering the question as to what accommodation is required by the Military and how it should be secured in the city. My Committee further gather that one representative of the European community and one representative of the Indian community have been nominated on that Board. My Committee do not know what principles have guided the Government in making such nominations. They are surprised that while the Indian community number nearly 2¼ millions in the city, they have been given the same nomination namely, one representative, as has been given to the European community who form a very small portion of the people living in the city. My Committee, therefore, consider it essential that an adequate number of Indians should be nominated on such a Board and in doing so the claims of such important organisations and bodies as this Chamber, the Millowners Association, the Bombay Municipality, the East India Cotton Association etc., should be borne in mind. If a policy that may be ultimately adopted by the Government in requisitioning accommodation required by the Military is to inspire confidence in the people of this city and if such a policy is to be carried out with their willing co-operation, my Committee have no doubt that the Government will unfold fully their plans before the representatives of the people and will not only assure them that in carrying them out they will scrupulously respect the needs and requirements of the civil population and will cause them the least inconvenience and hardship, but will also take every step to secure their sympathy, co-operation and support in doing so.

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## APPENDIX 140

### Restrictions on building operations in the City

*Letter No. 2152, dated 16th August 1945, from Chamber to Home Department, Govt. of Bombay.*

The Committee of this Chamber have been considering the question of the relaxation of and the withdrawal of controls in several directions imposed by the Government of Bombay. The very first consideration, which my Committee give, is to the removal of the control over buildings in the city. Whatever justification there may have been during the period of the war, there is no justification whatsoever for its continuance any longer.

Even if Government feel that there are grounds why the relaxation should be gradual, the time has come when this matter ought to be taken

up energetically by the Government of Bombay with the authorities, both civil and military at the Centre, at whose instance building material has hitherto been denied to the civil population's needs. Since urgency and priority cannot be put forward any more, the entire building material thus released (including reserves kept in the hands of the Government) should now be made available to the public, and a Press-Note should be issued informing the public that steps will be taken in this direction.

It is the duty of Government to remove the congestion in Bombay, unhappily increased out of all proportion on account of the unfortunate explosion. Offices for business, warehouses for goods, which will now be coming in large bulk to this inportant Port, and living quarters for civil population, suggest themselves as important issues, which cannot be shelved any more. Nor can they be permitted to be lost sight of in mere red-tape, while one Department of Government is consulting with another Department of Government. My committee feel that this is a big enough matter for Government to take a special decision upon.

My Committee have considered this question and they see no difficulty whatsoever if Government gave permission for the erection of a large number of buildings to be taken in hand. It must be pointed out that prices of building materials have gone up high. At the same time, the production of certain types of materials for building in and near Bombay has increased to two or three times of what it was before the war. An earlier relaxation by Government will in itself revive the necessary trade channels for building activities, which will incidentally provide a lot of employment to those on temporary appointments with Government, who will be thrown out of employment in the next few months. It is also the duty of Government to actively see that building operations are resumed and to remove all such obstacles in the way of such resumption as Government are able to find.

A copy of the representation sent by my Committee to the Supply Department, Government of India, in regard to steel for building purposes, is sent herewith for information.

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## APPENDIX 141

### Layout of the Elphinstone Estate

*Letter No.* W-2587, *dated 28th May* 1945, *from Bombay Port Trust to Chamber.*

The Bombay Port Trustees have been considering for some time various proposals for the layout of their Elphinstone Estate i.e. the area between Frere Road and the G.I.P. Railway lines, which was affected by the fires and explosions of April 14th, 1944, and has been included in the Bombay Town Planning Act, which will apply to the whole of the devastated area west of Frere Road.

2. In this connection the following two alternative proposals have been made :—

(*a*) The present system should continue under which the sites are let on long leases to private parties who determine the type of buildings to be erected and the use to which they are to be put, subject to such rules and regulations as may be made by the Municipality and the Port Trust. The development of the Estate would be largely left to private enterprise.

(*b*) The Port Trust should resume possession of the entire area and should itself undertake the development of the area. It is urged that the Port Trust, which is a public utility concern, would be in a better position to develop the area fully and properly on modern lines for the benefit of the public and the trade.

3. I am to request that you will kindly communicate the views of your Chamber on the issues raised at a very early date. I am to add that when the proposals for the layout of the Estate have taken definite shape, it is the intention of the Trustees to refer them to your Chamber for opinion.

*Letter No.* 1562, *dated* 21*st June* 1945, *from Chamber to Bombay Port Trust.*

I am directed to refer to your letter No. W2587, dated 28th May 1945, on the above subject, and in reply to say that my Committee are in favour of continuing the existing system under which sites are let out on long leases to private parties who determine the type of buildings to be erected and the use to which they are to be put, subject to such rules and regulations as may be made by the Bombay Municipality and the Port Trust, in that regard. Under this system the development of the Estate would be largely left to private enterprise. It will be appreciated that the parties who acquire accommodation in that area will be in the best position to judge their needs and requirements and the type of buildings most suited for their purpose. My Committee, therefore, request that the Port Trust should decide to continue the existing system of allowing the development of the Estate to be mainly left to private initiative, and should not take any action in the direction of resuming possession of the entire area with a view to the Trust developing the same.

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## APPENDIX 142

### Restoration of the old Standard Time

*Letter No.* 1984, *dated* 31*st July* 1945, *from Chamber to Home Department, New Delhi.*

The Committee of this Chamber would like to refer to a copy of a communication, dated 6th August 1941, No. 123|41-Public, to the Government of Bombay, suggesting that " for the duration of the war, Indian Standard Time should be advanced by one hour, i.e. from 5½ to 6½ hours of

G. M. Time throughout India". My Committee, when that communication was received, pointed out that any change made on the lines suggested in that communication would greatly inconvenience the commercial community. They felt that no immediate emergency had arisen to necessitate such a change. They added that if, however, Government considered that such a change should be made and introduced, they believed that the commercial community would try to adapt itself to it. The Government of India ultimately advanced the Standard Time by an hour which is still being maintained. The experience of my Committee is that it has been a great inconvenience to business people, as also to the public in general, and they have been several times approached with suggestions for requesting Government to put back the clock by one hour. My Committee, however, have desisted upto now from doing so as the European war was going on. They now find, however, that London has put back its clock, and that there is an end of "double summer time". In view of this, my Committee beg to approach Government with an earnest request that the clocks in India be put back by one hour, and that the Indian Standard Time which was prevalent before the change in 1941 took place be reverted to.

*Letter No.* 2938-D|45, *dated* 10*th August* 1945, *from Home Department to Chamber.*

With reference to your letter No. 1984 dated the 31st July 1945, on the subject mentioned above, I am directed to say that the Government of India consider that no change can be made in the new Indian Standard time for the present.

*Letter No.* 2241, *dated* 28*th August* 1945, *from Chamber to Home Department, Govt. of India.*

I am directed to acknowledge the receipt of your letter No. 2938|D|45-Public (c), dated 10th August, 1945, on the above subject.

My Committee deeply regret that the Government of India consider that no change can be made in the new standard time for the present. As was pointed out in their previous letter dated 31st July 1945, the new arrangement has been a source of great inconvenience to the public in general and the commercial community in particular. Having regard, however, to the considerations which weighed with Government in introducing the change, the public had to acquiesce in the position. The reasons which justified the change, however, no longer operate.

In this connection, it is relevant to recall the circumstances under which the new standard time was introduced. I am to invite a reference to the Government of India Memorandum No. 123|41-Public, Home Department, dated 6th August, 1941, addressed to the Provincial Government, when the proposal to introduce the new standard time was first mooted. In justification it was mentioned that the arrangements connected with the blackout, A.R.P., etc., necessitated steps to ensure workers in offices and elsewhere being enabled to reach their homes before nightfall.

The above reasons no longer operate. The war has ended. It is, therefore, quite natural and reasonable to expect that Government would lose no time in restoring the old position and thereby relieve the public from the avoidable inconvenience to which they have been subjected all these days. In particular, my Committee would like to emphasise that when the change was introduced, it was specifically understood that the same was meant only for the duration of the war. It is in the fitness of things that Government should adhere to this understanding and not persist in continuing an arrangement which, at any rate, serves no special purpose in the altered circumstances. My Committee request that Government will be pleased to reconsider the matter and issue early orders for the restoration of the old Indian Standard Time.

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## APPENDIX 143

### Rebuilding of Temporary Godowns on the Elphinstone Estate, Leaving of Road Space

*Letter No. 1970, dated 27th July 1945, from Chamber to Municipal Commissioner for the City of Bombay.*

Messrs. Ardeshir Hormasji Bhiwandiwalla & Co., a member-firm of this Chamber, have placed before my Committee the details of the correspondence that has passed between them and the Municipal authorities in regard to restrictions imposed on them in the matter of erection of a temporary godown on their plot, near Ahmedabad Street, in the Elphinstone Estate. The facts may briefly be stated: The Lessees propose to build a temporary godown for the Bombay Sugar Market, Ltd., for the purpose of keeping and storing stocks of sugar. In view of the essential nature of the requirement for which the godown is to be built up, the Provincial Government authorities have already agreed to release to them all the necessary building materials. It would, however, appear that the Municipal authorities are requiring that a space admeasuring 60′ × 132′ inside the plot be left out for the purpose of constructing a road when the Town Planning Scheme for that area takes shape and is implemented. There are other godowns in the area built for use of the Provincial Government. There are also the B.P.T. godowns. In regard to all these godowns however the space through which the road is expected to run has not been left out. On the other hand, the godowns are built on the full area of the plots concerned.

Messrs. Bhiwandiwalla & Co. had submitted to the Municipal authorities that they should also be allowed now to build to the full extent of the space available in their plot, without being obliged to leave the space intended to be used for the purpose of putting up the road; and had given an assurance that as and when the road in question was to be put up, consequent upon the implementation of the Town Planning Scheme, they would pull down the godown and make available the space for that purpose. After all, at present, the godown proposed to be built up is of a temporary nature.

There are already other godowns in the area which also will have to be pulled down if the scheme of the road is to be put into effect. My Committee would like to know as to the circumstances under which, notwithstanding the assurance that they would at the appropriate time pull down the godown so as to make the necessary space available for the road, the Municipal authorities had not thought it fit to sanction their request for being allowed to build to the full extent of the space available and had insisted on their leaving out the road space free even at this stage. An early reply is requested.

## APPENDIX 144

### Interpretation of the term Cessation of Hostilities

*Telegram, dated 13th September 1945, from Chamber to War Transport Department.*

Under Rule 45B of the Defence of India Rules ban is imposed on the Port Trusts supplying their printed proceedings to recognised commercial bodies and to the press and the trustees are deprived of their right to communicate the proceedings of the trust meetings even to their constituencies. Now that the war has come to an end grounds of security which led Government to impose this ban do not exist. Committee Indian Merchants Chamber most strongly urge upon the Government of India to remove the ban forthwith and issue necessary communique in that connection. Committee will appreciate your early reply as to the action taken or proposed to be taken by Government in this regard.

## APPENDIX 145

### Clemency for Chimur and Ashti Murder Case Accused

*Telegram, dated 3rd Janary 1945, from Chamber to Private Secretary to H. E. the Viceroy.*

Committee Indian Merchants Chamber respectfully request His Excellency the Viceroy to be pleased to exercise his prerogative of clemency for commuting sentence of death passed on the fifteen accused in the Chimur and Ashti case. The events which happened during that unfortunate period are now a matter of the past and feelings and passions have cooled down. The accused are all youngmen and given a lease of life may turn a corner and when in course of time they get out of jail become useful citizens of the State. Such an act of clemency again will be greatly appreciated by people all over India. Committee hope and pray that His Excellency will be pleased to respond to the numerous appeals being sent to him from every corner of the country.

## APPENDIX 146

### Rule 122 of the Defence of India Rules—Offences by Corporation

*Letter No.* 1024, *dated* 17*th April* 1945, *from Chamber to Department of Industries and Civil Supplies.*

Under Rule 81 of the Defence of India Rules, the Central Government have been empowered to take such measures as may be considered necessary for the general control of industries, regulation of production, control of rates and prices and to take such other steps as may be found desirable for securing the defence of the country and for the efficient prosecution of the war. Under the said general authority various control orders have been issued by Government for the purpose of regulating the handling of and trade in various articles.

Again Rule 122 of the Defence of India Rules provides that in the case of offence by a corporation "if the person contravening any of the provisions of these Rules is a company or other corporate body, every director, manager, secretary or other officer or agent thereof shall, unless he proves that the contravention took place without his knowledge or that he exercised all due diligence to prevent such contravention, be deemed to be guilty of such contravention".

I am desired by my Committee to address Government in connection with the application of the provision of this Rule in connection with the administration and enforcement of control orders. It would appear that in respect of breaches of the provisions relating to measures like the Hoarding and Profiteering (Prevention) Ordinance, Directors of Joint Stock companies have been hauled up before Courts of Law and punished in respect of offences and contraventions of the order although the persons concerned had no personal knowledge of the acts or transactions involved in the said offences. In this connection, my Committee have seen copies of communications addressed to Government by the Federation of Indian Chambers of Commerce and Industry on 22nd December 1944 and by the Indian Chamber of Commerce, Calcutta, on 4th January 1945. They have also seen the text of a resolution passed by the Federation at their last Annual Session of that body held in Delhi in the first week of March 1945. The contentions put forward therein have the general support of my Committee and they are strongly of the opinion that in the administration of these control orders and in enforcing the provisions thereof, only persons who are directly responsible for any contravention of the requirements of the law or the Rules should be held liable for the consequences of such acts. Otherwise, it would be ignoring the existing organisation of industry and trade in the country, as in the case of Corporations Directors and other high officials cannot be expected to keep a continuous check on day-to-day transactions. It is requested that Government will be pleased to look into this matter and make such changes in the provisions of the law or the orders as would give effect to the suggestions made herein.

## APPENDIX 147

### Release of Indian Political Leaders

*Telegram, dated 12th June 1945, from President of the Chamber to Private Secretary to H. E. the Viceroy.*

Committee Indian Merchants Chamber request you to kindly place this telegram before His Excellency the Viceroy for his earnest and favourable consideration. Committee Indian Merchants Chamber earnestly and respectfully request that the first and immediate step that should be taken for ending the present deadlock should be the unconditional release of Indian leaders who are now behind the prison bars. Such immediate and unconditional release will create the necessary atmosphere in the country for proper and dispassionate consideration of any proposals that His Excellency may make for the provisional political settlement and the country may receive the lead and guidance from its beloved leaders for that purpose.

*Telegram, dated 21st June 1945, from President of the Chamber to Private Secretary to H. E. the Viceroy.*

Committee Indian Merchants Chamber request you to please place this telegram before His Excellency the Viceroy. Committee Indian Merchants Chamber feel grateful to your Excellency for recent unconditional release of the members of the Working Committee of the Congress who were under detention. Country rejoice that their beloved leaders are with them again to lead and guide them. Committee would further most earnestly request your Excellency to release forthwith all others who are still under detention as the result of the 1942 disturbances or for other political reasons and to declare as lawful the All India Congress Committee and such other Congress Organisations on which the ban of unlawfulness continues so that such atmosphere may be created in the country as may ensure as desired by Your Excellency the mobilisation of all forces for cooperation and goodwill for the solution of the existing political deadlock. Committee will be grateful if your Excellency will be pleased to give your most earnest and generous consideration to this request.

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## APPENDIX 148

### Death of Sjt. Subhas Chandra Bose

### PRESS NOTE

The Committee of the Indian Merchants' Chamber, at their meeting held on Tuesday, the 28th August, 1945, passed the following resolution :—

'Committee Indian Merchants' Chamber have been deeply grieved to learn the melancholy news about the tragic death of one of India's brave and patriotic sons, Shriyut Subhas Chandra Bose. Committee would like to put on record that the deep devotion with which he served India all his life and the untold sacrifices which he suffered for achieving her independ-

ence is the most valuable heritage which he has left for his countrymen. While his recent activities outside India may, in our judgment, appear as mistaken, there could be no question as to the love of his Motherland which inspired them, and the unflinching determination to free this country from political bondage which guided them. In Shriyut Subhas Chandra Bose India has thus lost a noble son, a great leader, a valiant fighter and a devoted servant who dedicated his whole life for promoting the welfare of his people and for securing independence for his country'.

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## APPENDIX 149

### Indian Delegation to San Francisco Conference

*Telegram, dated 13th March 1945, from Chamber to Private Secretary to H. E. the Viceroy.*

PRESS NOTE

The Committee of the Indian Merchants' Chamber have today sent the following telegram to His Excellency the Viceroy:

Committee Indian Merchants Chamber understand that a Conference of United Nations is to be held at San Francisco next month to consider and decide as to what steps should be taken for building up an International Organisation for preserving and promoting world security in the future. It is, therefore, absolutely essential in the opinion of the Committee that such representatives of a country alone should be sent to such a Conference as would enjoy the confidence of the people of their country can speak in their name at the Conference can uphold their national interests and thus assist in the deliberations of achieving the goal of the Conference of building up a world security organisation in which their own country can play its part as a free nation on an equal footing with other members of that organisation. Without such representation the object of promoting world security cannot be achieved. That seems one of the main reasons why countries like United Kingdom, United States of America and Canada have decided to send representatives of all parties in the country, officials and non-officials to the proposed Conference. When countries possessing National Governments are sending Ministers as well as others to such an International Conference Committee consider it a matter of supreme importance for India which does not enjoy a National Government that it should send only non-officials enjoying the confidence of the country alone to speak in the name of India at such gathering. Committee are therefore amazed that instead of sending such real national representatives to such an important gathering, Government of India, in utter disregard of the universal feeling and demand in the country in that connection, have selected their own Members of their Executive Council to represent India at such a Conference and are constrained to state that attempt made in the Assembly by Government spokesman to justify the nomination made by Government on the ground that it was on a ministerial level is nothing but a cruel mockery of the representa-

tion of the true interests of India and her people at this International gathering. Members forming irresponsible, unrepresentative and non-national Government can never reflect the national aspirations and national demands of a country at an international gathering and Committee are grieved to observe that despite several protests in the past against such non-national representation at International Conferences Government should have again persisted in sending representatives of Government which have only recently sustained over half a dozen signal defeats in the Assembly in less than two weeks. Committee therefore consider it their duty to lodge their most serious and emphatic protest against the policy which is fundamentally detrimental to the vital interests and needs of the country and urges upon Government in all earnestness to send only such representatives to San Francisco Conference as fully share the aspirations of the people and can effectively help, as the true representatives of their country, in the evolution of an organisation where India can find her place as an equal amongst other free countries of the world.

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## APPENDIX 150

### Speeches of the President, and Vice-President, delivered at the Quarterly meetings of the members of the Chamber

*Speech of Mr. M. A. Master, President, Indian Merchants' Chamber, Bombay, at the First Quarterly General Meeting of the Chamber, on Friday, the 11th May 1945.*

GENTLEMEN,

You have already before you the Report of the work done by the Committee during the first quarter of the current year. Only three months have elapsed since we met last and yet events after events have happened which will greatly affect the fate of the world and the future of our country.

### Victory of the United Nations

2. Berlin has fallen. Germany has surrendered. War in Europe has come to an end. The great victories won by the Allies have naturally sent a thrill of joy amongst the United Nations. Mankind will now heave a sigh of relief as they will have no longer to suffer from the ravages inflicted by the forces of Nazism which had held the entire Europe in their deadly grip for the last five years. The tremendous task of reconstruction and rehabilitation of the devastated countries and the establishment of abiding peace and democratic freedom will be the most crucial and complicated problems of the day. These will try the patience and test the statesmanship of the United Nations. On the manner in which the freedom and sovereignty of different countries are recognised, the balance of power is maintained, the spirit of harmony is fostered, and the machinery for collective security is created and put into operation, will depend whether the world will have a lasting peace or whether the cessation of hostilities will only be a prelude to a more deadly war in the future.

3. The most heartening news, however, from nearer home is the capture[1] of Rangoon, the liberation of Burma, the defeat of the Japanese to that extent, and the glorious part which the Indian Army has played in this speedy and splendid victory. This is bound to shorten the period of the war in the East. The way in which the forces of the United Nations have been moving encourages the hope that the complete defeat of the Japanese in other theatres of war and the establishment of peace in Asia will not be now long delayed. There is no freedom-loving nation which will not wish for the rapid end of the war. But while every freedom-loving nation prayed for the destruction of the forces of Nazism, there will be no freedom-loving nation which will tolerate any longer in the future the conditions of political subjection and political bondage which the power and tyranny of Imperialism have created, fostered and maintained in this world.

**War fought for Freedom, but India continues to remain under Subjection**

4. That naturally brings home to our mind the most vital question of the freedom and independence of India and Burma. The United Nations have proclaimed to the world that they have been fighting the war for the establishment and preservation of the freedom of the different countries in the world. Now that the war is almost coming to an end, will India and Burma be allowed to become free and independent countries or will they be kept under the political bondage and political subjection of Great Britain ? That will be the real test of the sincerity of the professions of the United Nations and particularly of Great Britain. The tremendous sacrifices, far beyond her capacity which India has been made to undergo, for assisting in the preservation of the freedom of Great Britain and her Allies, will not only go in vain, but it will also increase her humiliation and deepen her sense of frustration, if these were, intead of allowing her to become free and independent, provide only further opportunities for Great Britain to continue to keep India in political subjection in the future as in the past.

5. And while we welcome the victory of the United Nations in Europe and expect them to come out victorious shortly in Asia, how can we, Gentlemen, share their joys and jubilation, when India is still in bondage and when her beloved leaders are still behind the prison bars ? No gesture of goodwill and constructive proposal from Mahatma Gandhi and other leaders, for facilitating the settlement of the political question has received as yet any response from the British Government. Despite the repeated demands for the release of the leaders from all shades of public opinion, they are still continued to be kept in detention and that too without any trial. It is a tragedy far beyond words and tears that it should be our misfortune to refer to this gravest injustice of the British Government at every meeting and feel the bitterest humiliation at the fact that the strength of the British bayonet is yet all powerful and provides the only justification for depriving our great leaders of their freedom and liberty and India of their wise guidance and valuable services.

**Developments in Political Situation—No Response from the Government**

6. The result is that the political deadlock still continues. The formation of the Congress Ministry in the North-West Frontier Province is no doubt, however, an event of great political importance. It may not be the result of any definite change in the general policy of the Congress. It may be the outcome of a genuine anxiety on the part of its leaders to serve the best interests of the people of that Province by taking themselves the place of a Government which was, as alleged, ruling them with oppression and corruption. It has, however, been recognised as a step in the right direction. It is, therefore, really unfortunate that instead of creating conditions favourable for the resumption of office by Congess Ministries in other Provinces, the British Government should have given a fresh lease of life to Section 93 and put it into force even in Bengal where the Ministry recently sustained a defeat. It is now well known that the proposals, submitted by Mr. Bhulabhai Desai, the Leader of the Opposition, for the formation of an interim Government at the Centre, are now under consideration of the British Government. We may, therefore, reasonaby draw the only conclusion that one of the objects of the present visit of Lord Wavell to London may be to assist the British Government in forming their final judgment in regard to these proposals and to enable them to take the first step in solving the existing political deadlock. Moreover, the Conciliation Committee has, under the leadership of Sir Tej Bahadur Sapru, cabled to Lord Wavell important counstructive proposals for the solution of the present political deadlock. It is neither my purpose nor my province at this meeting today to examine critically the bearings of these proposals on the future National Government of India. The country will no doubt recognise in all these attempts a genuine desire and a well-meant approach on the part of the leaders of the country to give to the British Government a further opportunity to prove their sincerity by taking such action as will enable them to transfer real power from British to Indian hands. That India will be treated as an independent State and as a Dominion equal and in no way inferior to any other Dominion, that an interim National Government responsible to the Legislature will be formed at the Centre and that that Government shall enjoy the fullest sovereign powers possible till the Constitution is revised immediately after the war; that the representatives of such a Government will act in all World Affairs, Conferences and Organizations as if India was completely free and independent of Great Britain and had the right to take such decisions and to act in such a manner as she might consider best in her interests; that Provincial Autonomy will be restored in all the Provinces; and that, above all, the political leaders shall be released immediately as a first step, are some of the vital features of the declaration which that Committee have requested the British Government to make. It is reported that the proposals of the Committee are under the consideration of the British Government. It is difficult to say how far these will be endorsed or be approved of by the beloved leaders of the Nation who are yet kept behind the prison bars by the British Government. If His Majesty's Government are, therefore, really anxious, as they profess to be, to solve the

existing political deadlock, they cannot shirk any longer their imperative obligation and responsibility to set the leaders of the Nation immediately free without the least possible delay so that their experience, their patriotism, their courage and their wisdom may be mobilised for the adjustment of various proposals that are now before the country and Government and a joint action can be taken to give India her freedom and independence by taking the first step in that direction by the formation of a real National Government at the Centre with such fullest sovereign powers as might be agreed upon even under the existing constitution, both by mutual understanding and by mutual arrangement. This is the least that India can expect Britain to do at this psychological moment. It is, however, difficult to expect an immediate and happy solution in the mutual interests of India and England, in view of the attitude of Mr. Churchill and the recent observations of Mr. Amery. I, however, do not desire to strike a note of despair. Let us wait till the return of Lord Wavell to India and let us, till that time, if necessary, continue to delude ourselves in the belief that the world opinion will not be utterly lost upon the Government of Great Britain. They will yet, let us hope, even at the eleventh hour, recognise their duty and the just claims of India and agree to part with real power, to enable India to become one of the free and independent countries of the world.

### India at San Francisco

7. The great Conference of 46 nations which has now been in session at San Francisco for the evolution of an International Organization for the maintenance of international peace and security has become a topic and an event of absorbing interest to all humanity. On the proper and effective solution of the most complicated problems in connection with the rights and obligations of different countries that will come up before the Conference will depend whether we shall have abiding peace or repetition of wars. If the high ideals set forth before the Conference by President Truman, namely, that "the responsibility of the great States is to serve and not dominate the peoples of the world" and that "justice remains the greatest power on earth. To that tremendous power alone will we submit", were to inspire the decision and action of the nations that have met together, it is bound to bring a new order of freedom, equality and security in the world. But if the big nations would continue to lord over the small ones either by keeping them in subjection or by assuming the role of self-appointed Trustees, as they have done hitherto, neither shall humanity be able to promote peace nor shall it be able to ensure security. So far as India is concerned, it is one further trágedy of her national life that even at such an important international gathering, it is not the representatives of the people, enjoying their confidence, but it is the nominees of the British Government, who cannot voice the ideals and aspirations of their countrymen, who are sent to represent India and speak in her name. The world is thus deprived of a precious opportunity to know from the representatives of India herself what India thinks, what India feels, what India needs and what India demands. Whatever may be the oratorical feat

performed by Sir Ramaswami at that great gathering and howsoever often his speech might have evoked applause, the grim and the bitter fact remains that he failed to tell the world that India was not a free or an independent country and that her Government was only a subordinate branch of the Government of Great Britain. What an irony of fate, Gentlemen, that it was left to the Russian Commissar, M. Molotov, to tell the Great International Gathering that "we have at this Conference an Indian Delegation. But India is not an independent State. We all know a time will come when the voice of an independent India will be heard too". This must have made it crystal clear to the San Francisco Conference that it was not the national voice of an independent India, but the voice only of Great Britain, through her Indian nominees, that was being heard at that international gathering. And what a humiliation it is for India that with her strategical position, her geographical importance, her population forming one large single block of living humanity, her great traditions, her ancient culture, her huge sacrifices and her magnificent contribution to the present war, not only has she been not recognised as one of the big powers of the world, but she has also not been accorded a permanent seat on the Security Council of the proposed International Organisation. Had India been free and independent, no one would have dared to accord her such a treatment at such an international gathering. All international Statesmen, the world over, have recognised that a free and independent India would be a tower of strength to such a Security Council.

8. It is, however, our singular misfortune that two of India's sons, going there as British nominees, pose to speak at the Conference in India's name, but would not or could not tell that gathering the real truth about what national India really wants. It is indeed a continuous tragedy of our position in the international world that India is compelled to be represented at these various international gatherings by the nominees of Great Britain. The world, therefore, never hears the true voice of India at such Conferences. It is, however, a matter of great pride and unusual satisfaction for India to find that at this critical moment in the history of the world, Mrs. Vijaylakshmi Pandit, one of India's noblest daughters, is there on the spot, not only to tell the world what real India is, and what are the ideals, aspirations and requirements of her people but she is there also to undo the untold mischief which the propagandists, both of the Government of this country and the Government of Great Britain, have been doing to soil the fair name of our motherland in that part of the world. It will be considered, no doubt, an epoch-making event of the San Francisco Conference that it should have been presented with the Memorandum by Mrs. Pandit making out a case for the freedom and independence of this country. And has not this bold and courageous step taken by Mrs. Pandit sent a thrill of joy throughout this land? No one could have put the case of India in more terse and telling language than that put by Mrs. Pandit, when she made it clear to the Conference that

"The Indian National Congress Party representing Indian people has always stood against Nazism and Imperialism. Organised Fascism and Nazism has now been liquidated. Imperialism alone remains and is entrenched in a system which implies coercion, domination and exploitation of one country by another. I submit that this system should be renounced in principle and abandoned in practice by an unequivocal acknowledgment and declaration of a free India".

Spontaneous will be the tribute of India. "Well done Mrs. Pandit. Verily you have foiled the game of Great Britain to still and stifle the voice of India at the Great San Francisco Conference". And may I add that not only does she deserve our heartiest congratulations for the splendid work she has been doing, but she is also fully entitled to the warmest appreciation and fullest recognition of her services from her grateful countrymen.

**Citizenship Rights for Indians in the U. S. A.**

9. There is naturally a keen sense of disappointment, if not resentment, in this country over the fate of the bills introduced in the House of Representatives in the U. S. A. for the purpose of conferring rights of entry and of citizenship on Indians in that country. At a time when a strong plea is being put forth from international platforms for the removal of social inequalities and for creating conditions for promoting international goodwill and fellow-feeling as between the citizens of different countries, it is really very unfortunate that the House of Representatives Committee on Immigration should have postponed indefinitely the consideration of the Indian Immigration Bill. It is difficult to realise what considerations must have led them to take this unhappy decision, because only a few days before they took the decision, the late President Roosevelt had given the world to understand that the proposed legislation was both desirable and important and its enactment would help them "to win the war and establish a secure peace". As a matter of fact, he had addressed a communication to the Chairman of the House of Representatives Immigration Committee, on the subject and had drawn their attention to the great services which India had rendered to the United Nations in the war against the Axis. He had taken the question to a very high plane and pointed out to them that "the present statutory provisions that discriminate against persons of East Indian descent provoke ill-feeling, now serve no lawful purpose and are inconsistent with the dignity of both our peoples". India expected that after this wise lead given by President Roosevelt for further cementing the friendly relations between India and America, the Indian Immigration Bill would have had a smooth sailing both in the House of Representatives and in the Senate. You are aware, Gentlemen, that Sir Chunilal B. Mehta, the Leader of the Indian Delegation to the Rye Conference had drawn the attention of the people both in America and India to the great importance of this Bill and as to how its enactment was necessary for enabling Indians to develop their business relations with that country. May I, therefore, in a spirit of perfect friendliness, draw the attention of our American friends

to the following wise and sagacious words addressed by the late President Roosevelt on the occasion of the United Nations Day in 1942 :—

> " Our earth is but a small star in the great universe, yet of it we can make, if we choose, a planet unvexed by war, untroubled by thunder, or fear, or undivided by senseless distinctions of race, colour or theory,"

and appeal to them to do their best to secure the passing of the proposed legislation, limited in its scope, as it is, and thus take another step for increasing the goodwill between the two peoples and ensure their association on grounds of national dignity and equality ?

### Growing Defence Expenditure—How new Unjust Burdens are imposed on India

10. Having given some indication of the developments that have taken place in the political field, both at home and abroad, I shall now deal with one or two other subjects of vital importance to this country. The colossal rise in the defence expenditure debited to India has naturally created a sense of alarm throughout the country. During the period of six years ending the 31st March 1946, the expenditure, already incurred and that budgeted for the current financial year, exceeds 1,854 crores of rupees. I give below in a tabular form the different heads under which this defence expenditure has been incurred :—

[*In Lakhs of Rupees.*

| — | 1940-41 | 1941-42 | 1942-43 | 1943-44 | 1944-45 | 1945-46 |
|---|---|---|---|---|---|---|
| Basic normal charges (effective) ... ... | 3,676 | 3,676 | 3,676 | 3,676 | 3,676 | 3,676 |
| *Less* Receipts ... ... | 73 | 99 | 354 | 923 | 2,150 | 2,250 |
| Net Charges ... | 3,603 | 3,577 | 3,322 | 2,753 | 1,526 | 1,426 |
| Non effective Charges ... | 883 | 879 | 862 | 880 | 940 | 923 |
| *Less* Receipts ... ... | 46 | 46 | 37 | 36 | 8 | 3 |
| Net Charges ... | 837 | 833 | 825 | 844 | 932 | 920 |
| Effect of the rise in prices ... | 256 | 439 | 797 | 1,444 | 1,692 | 1,976 |
| India's war measures ... | 2,663 | 5,542 | 16,517 | 30,799 | 35,571 | 35,101 |
| Capital Expenditure ... | ... | ... | 5,250 | 3,745 | 5,941 | 1,776 |
| Miscellaneous Expenditure connected with war ... | 67 | 346 | 2,151 | 2,218 | 2,654 | 2,157 |
| Total ... | 7,426 | 10,737 | 28,862 | 41,803 | 48,316 | 43,356 |

Although the miscellaneous expenditure connected with the war has not been included by the Finance Member in the figures given by him under the head " defence services ", no one can deny that all this expenditure is incurred on account of the war and must from part of the total war bill.

It will be observed from the figures given in the above table that this miscellaneous expenditure has grown from Rs. 67 lakhs in the year 1940-41 to the very large figure of 2,654 lakhs of rupees in the year 1944-45. It is difficult to appreciate the motive for concealing such a large amount from the total war bill for defence services given by the Finance Member in his budget speech. I must also draw your pointed attention to the fact that out of a total expenditure of 1,854 crores of rupees in a period of six years, over 1,265 crores of rupees are spent under the head "India's war measures", over 167 crores of rupees are debited under the head "Capital expenditure" and over 96 crores of rupees are paid under the head "Miscellaneous expenditure" connected with the war. It will thus be noted that over 1,528 crores of rupees, out of a total expenditure of 1,854 crores of rupees, or say, over 82 per cent of the total war expenditure, are justified on the ground that that expenditure was debited to India as on account of India's own war measures.

11. It is significant to note that the defence expenditure according to the revised estimate for 1944-45, will exceed 483 crores of rupees. It is, therefore, obvious that our war bill is now over ten times the amount that India spent for the defence services during a normal year of peace. While I recognise the difficulteis of estimating an approximate amount of the defence expenditure in the midst of the war, it is inexplicable how such expenditure could rise by nearly 96 crores of rupees in the period of a month and a half. While the revised estimates of the defence expenditure were shown at a little over 262 crores of rupees at the end of February 1944, the actual expenditure, as shown in the final accounts for the year ending the 31st March 1944 exceeds 358 crores of rupees. I have not seen any satisfactory explanation as to how the Finance Member could not have foreseen such a tremendous rise that was likely to take place in the war bill within a period of a month or two. It will throw an interesting sidelight on the present policy of budgeting the defence expenditure, when it is realised that the final accounts for the year 1942-43 showed a rise of over 82 crores of rupees and those for the year 1943-44 showed a tremendous rise of 206 crores of rupees over the figures which were originally budgeted for those years. Again, the revised estimates for the year 1944-45 show a rise of over 156 crores of rupees over the original estimate and we do not know how far they will further swell when the Finance Member presents his budget in the coming year. It will be agreed that this method of presenting the budget of the defence expenditure requires careful scrutiny and close investigation.

12. Moreover, attempts have been made to justify this tremendous rise in war expenditure on the ground that during the period in question the war had to be fought on Indian soil. If the Indian soldier or any other soldier in India fought on Indian soil, the expenditure should be debited to India. If, however, such a soldier fought a few miles away from the Indian soil, the expenditure should be debited to His Majesty's Government. The adoption of such a policy on the ground of India's local defence or as a part of India's joint war measure as the right inter-

pretation of the financial settlement is, indeed, a cruel joke! Expenditure between India and England cannot be allocated in this manner. It should not be forgotten, that even if the war had to be fought on Indian soil, India provides a vital base for the defence of the United Nations and the carrying on of warlike operations from such soil is an essential part of the Allies' strategy. You will, I am sure, agree with me that it will be a mockery of the whole arrangement to suggest and to insist that when the operations are actually carried out on Indian soil, the whole expenditure must be borne by India. In view of the very large operations that will be carried out against Japan in the coming months from India, which will provide the essential base and the inevitable centre for all such operations, the manner in which India is being saddled with this rising expenditure as a part of the financial arrangement of the so-called joint war measure raises issues of vital importance to this country. No data is also given in the budget that may enable us to understand what portion of this huge war bill has been paid by India owing to the retention of British and other foreign troops in the country in place of Indian troops sent abroad. No explanation is also forthcoming as to why India is made to bear larger and larger expenditure by way of reverse lend-lease obligations which are expected to reach the huge figure of 200 crores of rupees at the end of 1945-46. Moreover the export of raw materials to the U. S. A., sent hitherto as a commercial export as a part of the reverse lend-lease arrangement is bound to seriously affect the commercial policy of this country. Further, it is well-known that President Roosevelt had made it clear that the contribution of the Allies to the war expenditure for the protection of their common interests should be proportionate to the capacity of their country. It is, however, obvious that the Government of India do not care to attach any importance to this fundamental principle either in determining the amount of the defence bill that should be debited to India or the amount that India should be made to pay by way of the reverse lend-lease obligations. These and various other questions of vital importance, which arise out of the interpretation which the Government of India seem to have put on the financial settlement, and the manner in which they have decided to widen the meaning of the joint war measures, have naturally caused serious concern in the country. I, therefore, welcome the suggestion made by several leading members of the Central Legislature that "the principles of the financial settlement and the allocations made thereunder to the debit of India as well as other expenditure incurred in connection with the war" should be examined by a Committee composed of three leaders of the opposition parties in the Assembly and one or two leaders of the Council of State and that as the present war burden is beyond the capacity of the country, a ceiling for such expenditure should be fixed, beyond which all charges shall be borne by His Majesty's Government and the Allied Nations. As India provides the base for war operations involving great privations and sacrifices on the part of her people for the benefit of the United Nations, the Government would be failing in their duty if they were not to respond to this just demand and appoint a Committee, as suggested, at an early date. I would only make one observation that the

Federation of Indian Chambers of Commerce and Industry should be requested to nominate their representative on such a Committee and I am sure the presence of such a representative will be of great assistance to the Committee in their deliberations.

### Foreign Capital for Industries in India—Economically Harmful and Politically Mischievous

13. As I have already expressed my views at some length on the issues arising out of the recent statement of the Government of India on future industrial policy, I do not wish to go over the same ground again today. You will, however, bear with me if I were to make a brief reference once again to the vital question of the participation of foreign capital in Indian industries. But before I do so, I am sure I am voicing the feelings of all of you, when I say that our friend, Mr. Manu Subedar, deserves the warmest congratulations of the country for the splendid work which he did in the Assembly during its last session and for securing its verdict for the deletion of the obnoxious Commercial Safeguards Clauses from the existing Constitution. He has thus, as I said on another occasion, won the first round in India's battle for economic independence. As you all know, the press statement on this subject, recently issued by the Committee of the Chamber, has attracted wide attention. A leading weekly and an eminent industrialist have been pleased to offer interesting observations on the points mentioned therein. Let me, therefore, examine what the correct position is. It is common ground between us and those who speak on behalf of the industrialists, shortly proceeding to the United Kingdom, that neither of us want either British or foreign capital to establish itself in Indian industries. This view was expressed on a previous occasion by Mr. Tata, when he remarked:

> "The growth of such foreign controlled interests is a serious threat to India's industrial progress and it is all the more necessary, therefore, that Indian enterprise should be given every possible encouragement to build up national industries in the true sense, and to retain in Indian hands, the control of country's industrial economy."

It was also emphasised by the President of the Federation when he remarked in a recent statement issued by him that

> "There is no assurance on the part of the Government that they will not permit foreign interests from establishing themselves in India behind tariff walls to compete unfairly with or even destroy Indian industries. Without such specific assurance we cannot have national planning in the true sense of the term and Governmental schemes would be partial and incomplete."

14. It is, therefore, clear that no one wants or welcomes, even for the purpose of rapid industrialisation of this country that British or foreign industrialists by themselves should establish new industries in India. There is further common ground between us and our critics that neither do they

or do we want to set up any new industries in India, howsoever necessary they may be, which might involve the "parting of controlling interests in non-Indian hands". The question, which, therefore, remains to be considered is when and how the co-operation of British or foreign capital in Indian industries is to be sought without giving any controlling interest to such capital. It is conceded by our critics that if Indian capital is available for the establishment of any industry, it is not desirable to invite foreign capital for that purpose. The authors of the Plan of Economic Development for India have calculated that 4,480 crores of rupees will be required during the period of fifteen years for the rapid industrialisation of this country. Amongst various sources of finance required for the purpose that they have mentioned, they have indicated the raising of foreign loans to the extent of about 700 crores of rupees. They have stated: "India's credit in foreign capital markets is now very high and she can, therefore, borrow substantial amounts of capital if she so wishes in these markets, especially in America. Such capital, if it is not accompanied by political influence or intereference of foreign vested interests, should not be unwelcome". It is significant to note that the authors do not invite the participation of foreign capital in Indian industries but suggest the raising of loans only in foreign markets to bridge the gap between the capital that may be necessary for industrialising this country and the capital that may be available in this country for that purpose from various sources. As a matter of fact, our critics called our warning in this regard, a sensible one, because they admit that "to the extent foreign capital is welcomed, there would be a drain of country's wealth".

15. Our critics, however, contend that certain industries cannot be promoted and successfully established in India in the near future except through co-operation of outside interests. They, therefore, hold that some form of co-operation between Indian industrialists and industrialists abroad is not only inevitable, but is highly desirable in the interests of India. It will be clear that they will seek this co-operation of outside interests even if Indian capital is available and even if the advent of foreign capital will result in a drain of the country's wealth. I was told, only the other day, by one of the prominent industrialists, who will be shortly proceeding to the United Kingdom, that there would be nothing wrong in allotting 49 per cent of capital to the Britishers and retaining the remaining 51 per cent of capital in Indian hands, provided the controlling interests were with Indians. Such co-operation the distinguished critic contended, might be necessary in certain industries for the rapid industrialisation of India. I must honestly confess that I do not fully understand the significance of the words "controlling interests" under such conditions and it is difficult for me to realise that the controlling interests will remain in Indian hands after giving a share to the extent of 49 per cent of the capital in an industry to foreign industrialists. My reading of the situation is that even if it were less than 49 per cent or if it were any portion of the capital, whatsoever, in the hands of the foreign industrialists, it is difficult to conceive that they will allow the entire control to remain in

the hands of Indians. As remarked by Prof. Hill, British industrialists are not philanthrophists. Which industrialist does not know that British Industrialists are not only shrewd businessmen and powerful exploiters, but they are also capable of turning their capital into great political power to the advantage of Britain at the cost of India ?

16. Rapid industrialisation of the country is no doubt a laudable object. It should not be, however, brought about under an arrangement whereby the country's wealth would be continuously drained out of India and moderate sized businesses or factories started by Indians in the country might have to face the menace of being wiped away by new hybrid corporations started jointly in this country by big business houses of India and big business houses of the United Kingdom. It is essential to remember that, as emphasised at the meeting of the Industries Policy Committee, "the benefits of a national economic policy should be confined to really national concerns". Moreover, it should not be forgotten that the commercial safeguards have not yet been deleted. We are told that there would be "no matter of policy which the members of this group can discuss in the U. K. or the U. S. A., as obviously they have no authority for discussing such matters". Although it is difficult to understand whose authority is required for the discussion of these questions, it may be pertinent to ask, what policy will there be left for the Government to enunciate in the matter of the participation of foreign capital in Indian industries in the future, if the group of industrialists were to enter into such arrangements, as they liked with British and foreign industrialists, to enable them to participate with Indian industrialists in the setting up of industries in this country ? There lies, Gentlemen, the real danger. I shall not say anything more, but shall leave it to you, Gentlemen, to decide for yourselves whether you want these big business houses of India to join hands with big business houses of the United Kingdom or America to establish new industries in this country and whether any advantages that they have been claiming for such joint ventures in the name of the rapid industrialisation of this country will not far outweigh the fresh difficulties and new dangers that they would thereby create for India in the way of her attempts to achieve economic independence and political freedom.

17. While I have no doubt that the Honourable Member for Planning and Development will do his best to safeguard the interests of India, while he is in London, some of the recent events do not fail to show which way the wind is blowing. The British Chancellor of the Exchequer does not think that the repayment of the Sterling Balances should be treated as an ordinary commercial debt. It is admitted, however, that the repayment of the Sterling Balances and the rapid industrialisation of India have a very close connection. You are all, however, aware that Sir Jeremy Raisman, the ex-Finance Member, has now returned to England to enjoy his well earned rest. It is, therefore, difficult to understand why a new bother and a new responsibility should be imposed upon him for assisting Sir Ardeshir Dalal in his negotiations for the deletion of the commercial safeguards. The ways of the Government are indeed as mysterious and as inscrutable

as the ways of Providence. While new duties are thus imposed on Sir Jeremy Raisman during the period of his holiday, is it not significant that Sir Ardeshir Dalal, who has been fresh in harness and who has yet to earn his holiday, is deprived of his responsibility to participate in the talks regarding the repayment of the Sterling Balances? Is there any need to offer any comment on this arrangement, as no one will fail to find out for himself whose interests it is intended to serve?

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*Speech of Mr. Mahomed Husein Hasham Premji, Vice-President, Indian Merchants' Chamber, at the First Quarterly General Meeting of the Chamber on 11th May 1945.*

MR. PRESIDENT AND GENTLEMEN,

The President, in his speech, has dealt with matters which are uppermost in our mind. I do not propose to say anything on the subjects he has so ably covered. My task is to draw your attention to a few other questions which have also been engaging our attention during the last quarter.

## The Food Situation

As regards the food situation, it is true that we are on the whole better off today than in the dark days of 1943. I would, however, like to emphasise the fact that there is no room yet for complacency. Our production has not increased sufficiently; we may not get the adventitious aid of imports all the time. Expert opinion predicts a food shortage in the world as a whole for several years to come. The question is: have the Government of India taken adequate steps to meet all possible contingencies so as to avoid a repetition of 1943? Let us review the position briefly. The net imports of foodgrains into this country to meet the deficit exceeded about a million and a quarter tons per year. These consisted principally of rice from Burma. It is, however, to be remembered that the population of India has grown and is growing. It should also not be forgotten that owing to the poverty of the people many are not able to get two square meals a day. The proper standard of nutrition moreover is hardly maintained. India, however, hopes to raise the standard of living of her people in the coming years. All this will necessitate a far larger quantity of foodgrains to meet the inevitably increasing necessities of the people in the future than those which were made available before by imports referred to above. In spite of every effort made by Government, in spite of Government having assumed complete control over purchase, transport and distribution of foodgrains in the country and in spite of several crores of rupees spent on the "Grow-More-Food" campaign, the country has not yet been able to fill in the gap. The Imperial Council of Agricultural Research has formulated a scheme of Rs. 1,000 crores for approximately doubling our agricultural production. This, however, is a matter of time; but the problem of food is one which must be tackled here and

now. However important other questions may be, provision of adequate food and nourishment to the people is a prime necessity and an urgent problem that can brook no delay. Viewing the matter from this angle, one cannot avoid the conclusion that the Government of India have singularly failed in meeting the situation boldly and firmly and in devising such measures as would effectively solve this urgent question. In spite of an all-out war effort and the pressing needs of providing the sinews of war in every direction to the Allies, American industry was asked to divert a part of its production to the manufacture of farm implements and was able to find time to improve its products and perfect new types of agricultural implements. Such measures helped to increase production by 20 per cent since 1939 and the number of acres harvested increased by 14 per cent. Compare this with the position here in India which had a deficit, as stated above, of only 2 or 3 per cent of its total requirements. For a Government to plead that it was not possible, during war years, to make this up is to confess to incompetence, especially after the experience of the Bengal famine resulting in the loss of several lakhs of lives and of the semi-starvation inflicted on large parts of the country in the South. It is not my intention here merely to criticise, but these facts cannot be ignored. We have just read the press summaries of the Woodhead Commission Report. Apart from its strictures on the Government of Bengal and the play of party politics in that Province, the most important feature of the Report is its criticism of the Government of India's failure to meet the needs of the situation at the right time. As early as December 1942, it was realised that the Aman crop of Bengal was a partial failure, and yet matters were allowed to drift towards a crisis! Internal transport in Bengal was incapable of meeting the requirements of distribution as a result of the destruction of river craft at the time of the crisis in 1942, as part of the denial policy. The purchase and transportation of foodgrains from other parts of the country to Bengal was almost meagre in proportion to the requirements of the Province. Mian Afzal Hussain, in a Minute to the above Report, makes the pointed remark that if the Government of India had not confined themselves to merely begging for foodgrains from the rest of the country in the interest of unity, but had exercised that pressure in each province which they did after October 1943, the situation would have been considerably altered. Blame there certainly is for the Provincial Government for having lost their nerve and for their decision in favour of free trade, inaugurated in March 1943; but "the Government of India must share with the Bengal Government the responsibility for this decision". From March to October 1943, when the situation was getting from bad to worse, the Government of India quietly looked on and the supply of foodgrains to Bengal was relatively negligible in view of her requirements. This was so because of the lack of foresight on the one hand and the desire on the other, to conserve Imperial shipping for more important war needs than the need of staving off the starvation of millions in this country. I do not propose to delve further into the tragic past; but I must, at this stage, point out that the country is still as deficient in her requirements of foodgrains as she was at the beginning of

the war and although 11 lakhs of tons of wheat and other grains have been imported into the country during the last 15 months, these imports are yet inadequate to meet the full requirements of the situation. To rely, moreover, upon these imports in the future will be as futile as resting upon a broken reed, in view of the needs of devastated Europe and the possibilities of the diversion of shipping for those purposes.

The whole problem today is being handled by officers who have very little experience of trade. The Government of India have assumed responsibility of purchase and transport of foodgrains, and the Provincial Governments look after ultimate distribution. At this stage, it is futile to object to the policy of Governmental control on prices, procurement and distribution; but it must be recognised, at the same time, that the trader with his unique experience, and with his vast and efficient organisation, should play an effective part under this control and his services must be fully utilised, if control is to work efficiently, economically and in the interests of the people. The operation of controls must be guided by experts in the line and not left to officials, who, however clever and well-meaning they may be, yet lack the necessary experience and skill.

The Government of India alone have spent or propose to spend, during 1943-44 and 1944-45, Rs. 267 lakhs by way of grants and Rs. 295 lakhs by way of loans on the "Grow-More-Food" campaign, and have budgeted for an increase in production, as a result of this, of 2,27,000 tons in 1944-45, and 8,43,000 tons in 1945-46. The Provincial Governments have also spent large sums of money, and the area under cultivation is said to have increased from 195 million acres to 204.5 million acres, including the area diverted to food crops from non-food crops. Reading these figures, on the one hand, and seeing the actual situation as regards the availability of foodgrains, on the other, I am driven to the conclusion that either the figures of increase claimed are not correct or production per acre has considerably fallen or possibly both the inferences are correct. If this is the fact, and I am afraid it is a fact, then it is a sad commentary indeed on the results obtained from all the money spent and the efforts made; and this, in spite of having under control all the stages of purchase, transport and distribution of foodgrains in this country. If the popular element had been associated with these controls and with the campaign, I have no doubt that the results would have been much more satisfactory. It would not be out of place here to observe that some deficit provinces have been driven to the exigency of having a compulsory levy on the farmer to obtain from him a certain percentage of his product. It is not necessary to examine in detail the systems of grain levy adopted by them. Complaints are common that the grain taken away from the farmer often leaves him a quantity hardly sufficient to maintain himself and his family through the year or to provide for seed for the next year. The system, besides, has resulted in a good deal of corruption and the agriculturist has been put to considerable hardships.

The manufacture of fertilizers in the country does not seem to have received the importance which it deserves. The Foodgrains Policy Com-

mittee recommended, in September 1943, that manufacture of 350,000 tons of Ammonium Sulphate must be undertaken at the earliest opportunity. Since then a Mission, consisting of foreign "experts", was appointed to go into the matter. In the interest of increased production of food, this industry must come into being with the least possible delay. Nothing, however, seems to have been done to implement the recommendation of the Foodgrains Policy Committee although nearly a year and a half has elapsed since then. In the meantime, it appears, that 83,000 tons of artificial manure are to be imported between July 1944 and July 1945 and about 200,000 by July 1946. Arrangements for the import of this large quantity even during 1946 give rise to the apprehension that the idea of establishing the industry is going to be shelved. I must warn the Government that unless this industry is established in the country, food production cannot attain that degree of efficiency which is necessary if the country is to become self-sufficient in the matter of foodgrains.

India can produce a large quantity of natural manure such as oilcakes. At present India does not crush any appreciable quantity of oilseeds produced in the country and the export of groundnuts has continued in spite of repeated protests. Apart from the loss to this country of this commodity as food, this export has led to a serious depletion in the nitrogen content of the soil. Even the Fifth Food Advisory Council passed a resolution recommending to the Government that exports of groundnuts should be in the form of groundnut oil to conserve the resultant cake for agriculture. Yet the oil-crushing industry has been suffering from every kind of handicap, both in regard to transport and production. The loss to the country by way of deficiency in oilcake has been serious indeed. It might not be out of place to mention here that whereas very high priority and facility on railways are given to groundnut for export to U.K., similar facilities are not available either for transport of oil or for the transport of foodgrains.

The diet of the people has considerably deteriorated in its nutritional value during the war. The available nutritional foods in the country even in pre-war years were insufficient, and the "common man" suffered from serious diseases due to under-nutrition. This serious impairment in the nutritional standard of the people is bound to affect the rising generation adversely. The price for victory paid by India is very heavy indeed! In the face of these grave facts, it is rather amusing to note that the Fifth Food Advisory Council passed a pompous resolution to the effect that "it is essential to improve the diet of the people and to this end all Governments will undertake an examination of the diets in their area to determine in what respects they are defective and how the defects can best be made good." Whilst other countries have achieved a great deal during the five years of the war, we are still at the stage of resolutions for undertaking an examination of problems!

The appointment of a Committee by the Government of India to examine the problem of stabilisation of post-war prices is welcome, although it is to be regretted that on that Committee the representatives of the people

do not seem to find any place whatsoever. I am aware of the various difficulties in the way of Government control of prices at a desired level; but it is essential to guarantee to the grower a reasonable standard of living and to provide for him an incentive for improvement. Side by side, it is also necessary to deal with the larger problems of agriculture, such as tenures and size of holdings, so as to place this basic industry on a sound footing. And it must not be forgotten that a better remuneration which might contribute to the improvement in the farmer's health and efficiency is by itself a national investment.

It is obvious that although India has gone some way towards a solution of some of her problems of food, very important and vital matters still remain to be tackled; no one can say that everything that is required to be done has been done. I, for one, cannot share the confidence of the Hon'ble the Food Member "in the ability of Government to forestall shortages, to maintain supplies and control the prices of basic cereals"; and I must frankly state that unless effect is given to an all-embracing food policy, which will produce results not only in the long run but fairly quickly, and unless the standard of quality of foodgrains supplied to the people is improved, the cost of control made economical and duplication in every sphere of control eliminated, the price that the country has paid for these food control measures will have been in vain.

## Cloth Famine

A topic next in importance only to food is the shortage of cloth in the country. The way the cloth situation has developed also bears a strong resemblance to the food situation. Minimum pre-war normal consumption with hardly any margin to fall back upon, a small import which stopped as a result of the war, considerable increase in demand for purposes connected with the war and for export, failure on the part of the authorities to envisage the problem in its entirety and finally a situation of gathering crisis, these are the essential features common both to food and cloth situation. The pre-war consumption of cloth in India has been estimated at about 6,150 million yards, comprising 3,800 million yards produced by mills, 1,600 million yards by handlooms and about 750 million yards net import from abroad. The war created a new demand for the military and also for export. This ought to have been met and could have been met by speeding up production and by an efficient system of control over prices and distribution. Actually while the production of mill-made cloth reached at one stage the figure of 4,800 million yards, the handloom production is stated to have fallen by about 30 to 40 per cent. As early as December 1942, the Federation of Indian Chambers of Commerce and Industry warned the Government that their policy was likely to lead the country into a cloth famine. But evidently this had no effect. Textile control came in late enough and even then its success in the earlier stages was mainly due to the releasing of certain accumulated stocks. Thereafter, however, the situation has worsened and even now we come across responsible people debat-

ing whether what we are witnessing today is a famine or only a shortage. And the privations which people have had to suffer ever since the outbreak of the war have reached a breaking point.

In 1939-40 the export and war demand was 659 million yards, in 1940-41, 1,154 million yards, in 1941-42 it went upto 1,985 million yards and in 1942-43 it reached 2,500 million yards. This left the country nearly 2,500 to 2,700 million yards for civilian consumption which declined from 16 yards to about 8 yards per head. This is too heavy a sacrifice for a country like India were consumption was already at the minimum level and where people could hardly have reserves to enable them to economise and pull through a number of years. In a situation like this it was wrong on the part of the Government to have allowed and encouraged the export of cloth to the Middle East countries. It was even suggested that India should take advantage of the war situation to build up overseas market for her cloth. That hope has now rather faded away and it has been realised that this policy of export was an unmitigated evil.

We are now told that the demand for the services and the allotment for exports have been greatly reduced. At the same time, production has not been maintained and from the peak level of 4,800 million yards, it has come down by nearly 1,000 million yards. There is thus neither sufficient cloth in the country, nor are there adequate arrangements for effective distribution. As in the case of food, so in the case of cloth, the Government have failed to secure a substantial increase in production. Mills have been working double shift and triple shift. But no new plant and machinery have been set up and no steps have been taken to improve the efficiency of the industry so as to enable it to contribute more substantially to the war effort and to hold its own against foreign competition in the post-war period. Only the other day we were told about the plight of handloom weavers in Surat who could not get yarn for carrying on their business. Here is another instance of the failure on the part of the authorities to make the most of the existing opportunities for increasing production so as to cope up with the demand resulting from the conditions created by war. The shortage of coal again has proved a serious bottle-neck which has hampered the increase of production in several lines of industry and it has been estimated that in a single period of three months last year the short-fall of cloth production on this account alone was about 100 million yards. Statistics are not available to show the loss of production as a result of the lack of essential stores, spare parts and machinery which could have been imported from abroad if a proper policy had been adopted in the early stages. The working of Cloth Control in this country has been characterised by exchange and make-shift experiments such as the standard cloth scheme, faulty and haphazard distribution and a tendency on the part of the authorities to ignore the advice and assistance of the trade in handling the situation. This is not the time to apportion blame but I do feel that the time has come when an immediate drive should be undertaken to increase the production of real utility cloth in the mills, to stimulate handloom production, to stop all purchases by the Supply

Department and to prohibit all exports. It is only when production is thus increased and the total supply available is reasonably adequate, that distribution could properly be organised so as to make available to the masses what they cannot afford to go without.

This Chamber has made repeated requests for being represented on the Textile Control Board. But so far neither we nor a number of other interests concerned have been given such representation. There are so many varieties of cloth produced and there is such a diversity of needs and tastes in the country that the problem of efficient production and equitable distribution of this article of vital necessity in a country of the dimensions like India, cannot be solved unless the Government seeks the co-operation of all concerned and launches upon a vigorous policy of maximising production, eliminating waste and organising distribution all over the country. The problem of cloth is again not a problem of making India self-sufficient in the matter of adequately clothing its teeming millions but there is the equally important problem of enabling India to manufacture sufficient cloth to feed the markets of adjacent countries like Burma, Iran and the Near East.

## Hydari Mission

The failure on the part of the Government to speed up production efficiently has resulted, in the case of food, according to the Gregory Committee's recommendation, in the import of about a million tons of foodgrains; and in the case of cloth and a number of other consumer goods, we have now had the Hydari Mission which has already negotiated an agreement for the import of a variety of such goods. I should like, first of all, to express our strong protest against the way in which this Mission was appointed, without any previous consultation with commercial interests. Not only were non-official members not included in the Mission, but commercial interests were not given even a chance to know what the exact terms of reference and the scope of the Mission were going to be, much less to express an opinion on the same. Though, of course, it is true, that there is a large demand for consumer goods in this country no attempt was made to assess the real needs of the country. But the question is: was there no way of increasing the production of consumer goods of the required type and quantity in this country? What, again, will be the effect of such imports on corresponding industries started in India during the war? For example, the Bicycle industry has a capacity to produce about 80,000 cycles per year. At present it is producing only a very small number. It is now proposed to import between 1,10,000 to 1,25,000 bicycles in the near future. One does not know what is to happen to this industry which has been built up within the country but has been starved of essential machinery and spare parts.

The policy of importing consumer goods has been adopted ostensibly as an anti-inflationary measure. No attempt has been made to ascertain as to which consumer goods the country needs most. Thus at a time when

the country needed food so badly, we were given wines and liquors, gramophone records and radios. And now the Hydari Mission has resulted in an agreement to import consumer goods, such as toilet requisites, vegetable seeds, bicycles, drugs and medicines, electrical goods, etc. One cannot help feeling that in this case what has weighed with the Government of India is not so much the needs of the Indian consumers against which lack of shipping space could always be pleaded, as the anxiety of the British manufacturers to take advantage of the high prices prevailing in this country as a result of the inflation thrust upon us as a consequence of Government's war-time economic and financial policy, and also incidentally, to retain their hold on the Indian market. Indian prices today are much higher relatively than British prices ; and we would like to know what exactly are the prices charged to us for such imports when, as is well-known, the purchases made in this country by the Supply Department for the requirements of the Allied Governments have been at controlled prices.

This, Gentlemen, involves a deeper issue of fundamental principle. While the Governments of other countries such as Australia, Canada and South Africa are considering the problems of post-war trade in terms of switching over their existing industries to the manufacture of articles which would find a ready market overseas in peace times, India, the eighth industrial country in the world, has had to send a Mission to beg for consumer goods. This is a sufficient commentary on the policy, or the lack of it, on the part of the Government of India. Countries like Australia and Canada have built up several heavy industries for purposes of the war and for post-war needs, but India has lost this great opportunity. The shelving of the Grady Mission Report, the refusal on the part of the Government of India to promote in this country the manufacture of aircraft, locomotives, etc., their failure to start the fertilizer industry and to increase production of paper and textiles are all evidences of the same short-sightedness or lack of vision on the part of the authorities. The Indian commercial community would certainly have welcomed even at this stage, an Industrial Mission sent to the U. K. and U. S. A. to negotiate for the import of plant and machinery so urgently necessary for increasing production in the existing mills and factories and for setting up new ones so necessary for filling the gaps in India's industrial structure. The shipping space occupied by the imports received under the Hydari Mission's agreement and the Exchange allotted for the purpose could have, more appropriately, been made available for the import of urgently necessary capital goods. The Indian textile industry, for example, could have expanded production to a much greater extent, if certain essential stores and machinery had been imported. Similarly, the paper industry, with its potential manufacturing capacity of about 1,10,000 tons against the requirements of 1,60,000 to 1,80,000 tons, could also have been adequately expanded. The same is true of the Indian chemical industry. The entire war-time economic policy of the Government of India has been unsympathetic to the growth of industries ; and it is a matter of regret that the same policy is being pursued even now in spite of repeated protests from commercial organi-

sations and also from the general public. This policy of indiscriminate imports will, I am afraid, endanger seriously the growth of Indian industries. I would like here to refer to the recent notification of the Government of India, allowing imports from the U. K. on an open General Licence, of certain goods. As was already pointed out by our Committee to the Chief Controller of Imports, in the case of chemicals, advantage is likely to be taken of this open General Licence for the import of a large variety of goods which would damage Indian industry on the one hand, and benefit British manufacturers by the high prices prevailing in this country at the present time on the other.

A similar warning is also necessary in regard to imports of capital goods after the war. A large number of Indian concerns have already come into existence with capital subscribed and paid and deposited with the Government of India. The Government are now noting down the requirements of the various industries by way of capital goods in the post-war period. Industrialists are being asked to inform Government of the names of their suppliers in respect of such goods and to negotiate their purchases in advance. This procedure will, I am afraid, deprive the Indian industrialists of their legitimate right of bargaining for the most favourable and competitive terms from suppliers overseas. It is not my purpose here to make out a case for the entire stoppage of foreign imports. India needs, and will continue to need, certain types of goods—consumer goods as well as capital goods—for a long time to come, but such imports must be in pursuance of a properly planned policy and must be undertaken after a proper consultation with and full concurrence of the representatives of Indian trade and industry.

## Indians Overseas

The intrepid enterprise and business acumen of those of our countrymen who have for decades past established themselves in the various parts of the world such as South Africa, Burma, Ceylon, U. S. A. and many other countries of Europe as also in China and Japan have enabled them to build up connections and organisations of a very high order. Their welfare and status in these foreign territories must naturally be the primary concern of the Government of India, whose duty it is to see that their legitimate rights are safeguarded and their dignity and self-respect maintained. The problem of the rights and privileges, the status and the economic position of our nationals in South Africa, Ceylon and Burma are the pressing questions of the moment. Our countrymen have been there from times immemorial and as such they have become part and parcel of the political structure and the economic fabric of those countries.

Just before the war Indians constituted 10 per cent of the total population of Burma and were playing a very important role in the economic organisation of that country. Many of them had not even seen India since their birth ; many others had made Burma their home. They went and settled there when Burma was part of India. They promoted the agri-

cultural improvement of that land and built up an efficient organisation in trade and industry. Their contribution thus in the economic improvement of that country was substantial. The land under rice cultivation in 1886 in Burma was hardly 4½ million acres. At the time of the occupation of Burma by the Japanese this had increased to 12½ million acres. The credit for this result mainly goes to the Indian traders who had played a prominent part in building up the trade and finding a market for the agricultural produce of Burma. At the time of the separation of Burma, the Constitution Act guaranteed certain rights and privileges to Indians. The right of entry and re-entry into that country was unquestionable. Notwithstanding all these facts the Government of India were about to negotiate an Immigration Agreement with that country, in 1939, which would have placed our nationals in an unenviable position. The proposal raised a volley of protests in this country as also in Indian circles in Burma. The Legislative Assembly here expressed itself against the proposal with the result that ultimately it had to be given up. In the light of all these, one fails to understand the recent tendency on the part of the Government of Burma, now functioning from India, to put forward once again proposals involving restrictions on Indians desiring to return to that land. As you are aware, Gentlemen, when that country was overrun by the Japanese, a large number of our nationals had to take refuge here. It is but natural that they should be anxious to return at the earliest possible opportunity to Burma to resume their trade, profession or occupation in that land. The fall of Rangoon makes this question a problem of the moment. In the above context, the reference by the Secretary to the Government of India, Overseas Department, about arrangements for the return of "authorised persons" to Burma is incomprehensible. There cannot be anything like "authorised persons", amongst the Indians who desire to proceed to Burma. It is the constitutional right and privilege of Indians to go to Burma whenever they desire and it is but in the fitness of things that those who had to evacuate from that country due to stress of war, should be given every assistance and facility to get back to that country as soon as peaceful conditions are restored. Considerable anxiety has been caused on this score on account of certain recent developments indicating a tendency on the part of the Government of Burma, for taking steps which will have the effect of restricting the right of free entry of Indians. The evacuee Burma Government is understood to be in constant touch with the European Chamber of Commerce representing British interests in that country. They have not had the grace of extending the same courtesy to the Indian Chambers of Commerce nor have they taken the Burma Indian interests into their confidence in regard to steps proposed to be taken in the future. Men from British commercial houses have been sent to Burma as military personnel and there is a legitimate fear that these and the so-called Army channels of distribution will jeopardise the just rights and interests of Indians when Burma is again thrown open for the free entry of civilians. These so-called military personnel will have the advantage of an early start with the result that Indian interests will

find the ground cut under their feet. This is not all. It would appear that without consulting the Government of India the Government of Burma have devised a Form for the registration of Indian firms and individuals desirous of returning to Burma. Devising such a form to elicit particulars was legitimately the function of the Government of India. In fact, the Government of India have already collected and are maintaining a list of Indian evacuees from Burma. In the face of this the manœuvres of the Government of Burma to make fresh enquiries in this direction and to start a new scheme of registration are highly suspect and cannot be justified. Moreover, the information sought to be collected is of such a nature as to give rise to deep suspicion in the minds of the Indian interests connected with Burma. I do not propose to refer here to the detailed nature of the various heads of information contained in the Registration Form. I would only point out that according to the Application Form, registration would be confined only to those persons resident in Burma on 7th December 1941, viz.: the date on which the Japanese declared war against the Allies. Further information about the extent of the business of such persons within and outside Burma and the proportion of the former to the latter are all being asked for. It is difficult to understand the *raison d'etre* of such detailed enquiries at this stage, but the conclusion is irresistible that what the Government of Burma did not succeed in achieving by the still-born Immigration Agreement, they are now seeking to achieve by back-door method of restricting the right of re-entry only to persons of their choice and liking. The publication by the Conservative Party in Great Britain of what has come to be known as the Blue Print for Burma raised fears in Indian minds that British interests were trying to take advantage of the present disorganised conditions to secure preferential rights and treatment for British trade in Burma in the post-war period. Since the time of the occupation of Burma by the Japanese, India has been deprived of the supply of rice from Burma. As we all know the U.N.R.R.A. are arranging to purchase foodstuffs for providing relief to countries overrun by the enemies. Naturally, they would also be making arrangements for procuring rice from Burma. If Indian interests are not allowed to return to that country in time, there is the further danger of our not being able to get the necessary share of Burma rice for our own requirements. These fears naturally are intensified by the present proposals and registration as a preliminary to regulating entry and re-entry of Indians. It is the duty of the Government of India to rise to the occasion and to insist that the Government of Burma shall not interfere in any manner with the inherent right of all Indians to enter into that country whenever they choose to do so. It is, therefore, of supreme importance that effective steps should be taken for the earliest return of Indians to Burma, so that not only can they by their presence in that country safeguard their own interests, but may do everything possible also for enabling India and Burma to meet their mutual trade requirements.

The position of Indians in Ceylon is in many respects similar to that in Burma. In a long memorandum submitted to the Soulbury Commission,

the Delegation on behalf of the Indian Mercantile Chamber of Ceylon made a strong plea for recognising the right of Indians in that Island to a due share in the Government of that country. Indians constitute nearly 16 per cent of the population of that Island. They went to Ceylon at the express invitation of the Government of Ceylon; and yet some time ago a responsible Minister of the Crown in Ceylon stated that the happiest news for him on his death bed would be that the last Indian had left that Island. In the face of this attitude the Government of India has maintained almost a sphinx-like reticence on this subject. In spite of the recommendations of the Donoughmore Commission to grant franchise to Indians in Ceylon, the whole question has been so manoeuvred that Indians have received hardly 4 per cent representation in the Central Legislature and hardly any in the Municipal administration of Ceylon. The question of anti-Indian legislation has become a matter of party politics in that Island and all that the Government of India does to protect Indians abroad is to write pious letters and give vague assurances in the Assembly which bear but little fruit. In view of this experience, there is strong justification for the demand made by Indians in Ceylon that their future status and position in that island should not be left to be dealt with as a domestic issue, but should be statutorily safeguarded.

South Africa has gone one further than Burma or Ceylon. Indians do not constitute a large proportion of the population there as against the White or the Negro population. They, however, form an important part of the civic and economic life of that country. The treatment meted out to Indians in South Africa constitutes, I must say, a blot on civilisation itself. The Pegging Act, the Natal Ordinance regarding residential rights and a number of other Ordinances are denying to Indians in South Africa even the elementary right of residing in certain localities which are earmarked for the Whites. Indians cannot even purchase property which may belong to a White man although a White man has a right to sell it to an Indian. Roads, streets and hotels are reserved for the superior race. Against this treatment, this country has protested times without number. Apart from the humiliation of it, this is an issue which hinges on the right of citizenship in the British Commonwealth. Can one part of the British Commonwealth treat the nationals of another part in this manner? On the one hand, we hear of the Atlantic Charter and the rights of democracy and freedom not only for the victors but also for the weaker nations of the world. On the other, statesmen of the calibre of General Smuts, who wield such influence in world politics and play such an important part in shaping final proposals for world security, have been guilty of such discriminating legislation against a fellow people within the Empire. Indian soldiers have given their blood side by side with those of the Allied Nations, including South Africa, in the battle-fields of Egypt, Italy, and France and in spite of that South Africa cannot see its way to abandon racial discrimination. This is a matter that has rightly aroused deep indignation all over the country. Even the Commonwealth Relations Member of the Government of India was moved to make a fighting speech in the Legislature last year. He went to the extent

of saying that he felt like leading an army against South Africa! And yet the Reciprocity Act passed by the Assembly has remained a dead letter. The Government of India are still considering the imposition of sanctions. In the meanwhile, they have sent their High Commissioner, ignoring Indian public opinion both here and in South Africa and one suspects that all our protests are after all going to be of no avail. I do not know if the import of wattlebark from South Africa is so essential that India might not do without it. Gentlemen, the attitude of the Government of India on this question is proof, if further proof were needed, that the present Government must give place to one which is prepared to look after the interests of this country not only by way of the full development of its resources, but also in respect of the position of nationals overseas.

Whether you look at the problem of food or cloth, or of the import of consumer goods, or again of Indians overseas, the conviction is borne upon us that there is a wide gulf between what could have been done and ought to have been done in this country to develop its resources during the war and what has actually been done or not done. This discrepancy has affected our present condition adversely. If the same policy is continued Heaven alone can help us. Already in certain spheres we are late, but in certain others we are yet not too late. Even now there are possibilities of developing Indian industries and strengthening India's industrial structure along the right lines. I do hope that the authorities in charge of the destinies of this country will see their way to seize this opportunity and do their duty towards the country they claim to look after.

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*Speech of Mr. M. A. Master, President, Indian Merchants' Chamber, Bombay, at the Second Quarterly General Meeting of the Chamber on 16th August 1945.*

GENTLEMEN,

The report of the work done by the Committee during the second quarter of this year has already been sent to you.

2. Since we met in May, sensational events of far-reaching importance have occurred one after another. The Wavell Conference has come and gone. It has failed. The Churchill Government has completely disappeared. Labour has swept the polls. Socialism has triumphed. Labour Party has come into power with an overwhelming majority. The United Nations Charter has been signed. It is inspired by the desire "to save the succeeding generations from the scourge of war". When V-2s were hurled on England by Germany, it was considered an act of wanton butchery. The Satan, however, to vindicate his power and to have his laugh at the angelic wisdom underlying the Charter, perfected the creation of the atomic bomb. It is immensely more deadly than the V-2s. These bombs were thrown on Japanese cities. The devastation of these cities has been complete. They massacred thousands of innocent men, women and children. The power

of the atomic bomb to wipe out of existence, in a few days, large cities with all their population has sent a wave of consternation amongst the civilised people of the world as if the world were shaken by an earthquake. The United Nations justified their action on the ground that this massacre was intended to "destroy Japan's power to make war". Well may the Satan continue to have his laugh at the angelic wisdom which, while bursting forth into righteous indignation at the firing of a shot on a Red Cross ship, justifies the complete annihilation of the entire civil population of large cities by the use of the atomic bomb! The atomic bomb, considered essential to put an end to the "scourge of war", has been, on the other hand, immediately considered as a "threat to piece". Cry has, therefore, gone forth that such weapons of human destruction should not be allowed to be manufactured. The use of atomic bomb was followed immediately by the declaration of war by Russia against Japan. Then came the news that Japan has accepted the Potsdam ultimatum.

3. We have now heard that Japan has surrendered. The war is over. World will now heave a sigh of relief. Humanity will once again begin to breathe fresh and free air.

When the last war was over, we were told that there would be no war in the future. Within a generation, another and a more deadly war, however, broke out and engulfed the whole world by a terrible conflagration. Ancient wars were generally confined to the armies who were actually on the battlefield. Modern wars are, however, carried on mostly against the innocent and unarmed people in the cities and the countryside. The cold, calculated and wanton acts of ruthless slaughter and butchery of the civil population are justified by these Christian powers on the ground that they are intended to teach the enemy nation a lesson—perhaps in the beauties of the Sermon of the Mount. What the War Lords, however, profess when the war is on, the politicians do not practice when the peace is signed. Instead of using science as the servant of humanity for its welfare, happiness and greatness, it is used as a weapon of human destruction, misery and degradation. War knows only one message and war follows only one precept and that is—kill—destroy and go on killing and destroying. The deadly perfection of the atomic bomb has its inspiration from this real gospel of war. These wars will not, therefore, remind the coming generations of the acts of heroism or the deeds of gallantry of the fighting forces. They will leave for the posterity only a legacy of misery and the tragic tales of material destruction and human massacre.

It is said that these wars are, however, waged for establishing liberty, equality and fraternity in the world. United Nations have professed or protested that they have carried on the fight for establishing democracy and securing freedom for nations—small and great. These high ideals are, however, always forgotten once the order is given to "cease fire". Lust of power, of economic exploitation and economic domination which are the real causes of all wars once again fire the bosoms of victors. All this makes the problems of peace far more graver than the problems of war.

They will baffle the wisdom and statesmanship of the United Nations. They will test their professions for respect for equality of human rights and their professions for securing liberty for all countries—small and great. It is no doubt that a thrill of joy will be experienced throughout the world now that the human massacre has come to an end. Let not the victors, however forget in the hour of their victory that very grave responsibilities rest upon their shoulders. Let them remember that unless moral values change, justice triumphs and science is made to act as the Protector and not the Destroyer of humanity, even Angels will not be able to bring peace, prosperity and happiness to the world.

### Will the New Organisation called "The United Nations" Promote Real Unity and Peace?

4. The present global war has, with its unending sorrows and sufferings, with its unprecedented destruction of material and human wealth, with its far-reaching ravages on the progress of culture and civilization, brought home to every country the imperative need to ensure that no war should ever take place in the future. It is the realization of this bitter truth which led 50 nations of the world to pool together their wisdom at San Francisco and produce a World Charter for setting up a new international organization to be known as the "United Nations". The fundamental object of the Charter and the real task that lies before the United Nations is to take steps for maintaining international peace and security, for developing friendly relations among the nations based on respect for the principle of equal rights and self-determination of all peoples, and for encouraging the recognition of fundamental freedoms for all without distinction of race, sex, language or religion. The principal organs of the "United Nations" which have been entrusted with these grave responsibilities will consist of a General Assembly, a Security Council, an Economic and Social Council, an International Court and a Secretariat. Another important feature of the Charter is the establishment of an international trusteeship system for peoples who have not got their own Self-Government. While one can appreciate the joint efforts that have produced such a World Charter and while one would like to share the hope of President Truman that the Charter can become "a great instrument for human progress", it is a matter of grave doubt whether the object can or will be achieved, when it will be the "Big Five" or, really speaking, the "Big Three" that will not only dominate the organization but will also, in effect, completely control all its activities. The "Big Five" will be the permanent members of the Security Council. They will have the right of veto in regard to all non-procedure matters. The consequences of this tremendous power will be that the General Assembly will only be able to discuss such matters as are not objected to by the Big Powers and that the Security Council will only be effective in maintaining peace and security, when none of the great powers would be interested in any dispute or act of aggression. Nothing could be done either for redressing the grievances or for doing justice to the smaller nations when the right of veto is exercised. In the face of this

constitutional inability of the Security Council to function in all cases for the maintenance of peace and security, it is a cruel mockery of words indeed to maintain that the Charter is based on the equality of rights and the equality of status between nations—great and small. President Truman gave the following message to the Congress on his return from the Conference :—

> " The structure of world peace cannot be the work of one man, or one party, or one nation. It cannot be just an American peace, or a British peace, or a Russian, French or a Chinese peace. It cannot be a peace of large nations—or of small nations. It must be a peace which rests on the co-operative effort of the whole world."

The power of veto vested in the " Big Five " is a complete negation of this high ideal of co-operative effort enunciated by President Truman and we cannot, therefore, escape the inevitable conclusion that while the words in which the Charter is couched want the world to believe that it is based on the principle that " right is might ", in actual practice, the powers will remain so concentrated in the hands of the few that " might will remain the right " in the future as in the past. Instead of promoting international peace and security, it is, I am afraid, likely to sow the seeds of further wars in the future.

5. The treatment proposed to be given to the non-self-governing territories is extremely disappointing. The system of mandates which has been condemned on all hands has been now re-christened in the Charter as the Trusteeship system. It will deceive no one. The way in which all attempts to give a clear indication that independence of such countries is the ultimate object of the plan of the Charter were resisted at the Conference clearly indicates that the so-called big powers who are talking in terms of democracy and equality are not prepared to part with power, when it does not suit their own self-interest. Imperialist powers will continue to function in the old imperialist way. The exploitation of the Colonial possessions will continue in the future as in the past. Without a clear recognition of the ultimate aim of giving these dependent countries their real independence within a stipulated time, and without an unambiguous directive to take effective steps for that purpose, it will be impossible for the new organisation to maintain peace and promote security in the international world for which it has been created by the World Charter.

6. The Economic and Social Council may be able to promote a better understanding in the international world, provided it recognises national needs of all those countries, the resources of which are not fully developed and accords equal treatment and gives equal weight to the views of all such countries, small and great, in the determination of international policies.

7. It is, indeed, a matter of deep regret that the Delegates from India to this Conference did not represent a National Government and could not, therefore, give expression to the ideals and aspirations of the Indian people.

Their acquiescence in the exclusion of India as a permanent member of the Security Council, their recognition of the right of veto being given to the "Big Five" and their failure to discharge their responsibility to fight for securing Self-Government and ultimate independence for dependent and colonial territories may win them applause from the alien Government whom they represented at the Conference, but their actions and inactions will be strongly resented by national India which aspires to attain an equal place amongst the free nations of the world.

### Failure of the Wavell Conference—What Next ?

8. There has been genuine regret in the country at the failure of the Wavell Conference. The leaders knew that the Wavell Plan did not offer to transfer any new power from British to Indian hands. They realised that it only proposed to make adjustments within the limits of the existing constitution. They were conscious of the fact that the fundamental condition of the Plan, namely parity between the Caste Hindus and the Muslims, would evoke strong resentment in the country. They recognised the fact that a national organization like the Indian National Congress could not be a party to a permanent solution of the constitutional question which was based merely on communal approach and steeped in communal spirit. They, however, could not ignore the tremendous changes that had occurred in the international world. They were deeply grieved at the growing sufferings of the people. Shortage of food and the consequent starvation and death of thousands of people in the country, shortage of cloth and the consequent humiliation of the man and the woman of India, the existence of "black markets" and its economic oppression of the masses, the reported corruption all round and the growing sense of frustration must have compelled the leaders to seek a temporary solution of the existing deadlock even on the basis of the half-hearted and halting Wavell offer. They must have strongly felt that they would thereby be able to serve their countrymen at one of the most critical and trying periods in the history of India. They, therefore, rose equal to the occasion. They displayed great constructive statesmanship and true spirit of accommodation in trying to reach an honourable understanding at the Conference in evolving an arrangement for the interim period in the confidence and hope that that would secure a definite advance for India towards the goal of Independence. One cannot but, therefore, deplore the failure of the British Government at the last moment to accept the hand of friendship which was offered by Indian leaders with such genuine warmth and sympathetic understanding. We also cannot avoid the feeling that the conclusion is inevitable that the British Government have thereby allowed a single individual, however eminent he may be, to successfully block the way of even an interim solution, when there was such a maximum measure of agreement alround, for a further step in India's march towards the establishment of a National Government in the country. Now that the war is over, the immense task of carrying on the post-war development of India in her national interests demands that there should be Indian leaders of vision, courage and determination, enjoy-

ing the confidence of the country, at the helm of affairs. We hope that Lord Wavell will do his best to impress upon the Labour Government the necessity of taking immediate steps for a permanent solution of the present constitutional deadlock by transferring complete power from British to Indian hands by the establishment of a real sovereign National Government in India responsible to the Indian people. Now is the time for Lord Wavell to redeem his promise, which he made at the end of the Simla Conference, that they will overcome all difficulties in the end, so that the future greatness of India can remain in no doubt. It is needless to add that a free and independent India enjoying the position of a sovereign power will not only promote the common interests of India and England, but she will also be a tower of strength to Great Britain in the ultimate solution of international problems for promoting peace, prosperity and happiness amongst the peoples of the world.

**How will Labour Government deal with the Indian Problem ?**

9. The triumphant majority with which the Labour Government has been installed into power by the people of Great Britain shows how they were yearning for a radically new approach to the solution of their social and economic problems. Whether the Labour Government will have the courage to fulfil their oft-repeated promises of improving the lot of the common man by giving him a more equitable share in the distribution of the wealth, produced by his labour and toil, will be determined by the measures that will be actually adopted by them in the coming years. There is no need for us to speculate in that direction. What we are gravely concerned with, at the moment, is whether the Labour Party will, now that it has come into power, and the war has come to an end take immediate and effective steps for transferring real power from British to Indian hands and whether that party will be genuinely willing to remove all difficulties that lie in the path of India not only for her industrial development in her national interests but also in the execution of all post-war measures for the social and economic welfare of her people. We do not know what the Labour Party wants to do. Let us, however, wait till the Labour Government announce their policy towards India. Then will be the time for us to determine how we should act and what steps we should take for taking India on her onward march for becoming a free and independent nation of the world.

9A. Since the above lines were written, I am sure, you must have read, Gentlemen, this morning, the casual and almost perfunctory reference to India in the speech of the King from the throne on the opening of the Parliament. When India is asking for independence, when Dominion Status with the right of secession was almost offered a couple of years ago, India is asked to be consoled now by the Labour Party with the "early realisation" of full self-government. Heaven alone knows what the adjective "early" really signifies in such declarations. From "progressive realisation" India is now promoted to "early realisation". The Labour Party

has missed a golden opportunity to prove that they really mean business and want to co-operate with India as a free, independent and sovereign nation. The mere passing reference in the King's speech without any concrete proposal for the immediate solution of India's political deadlock and any indication of effective steps for the prompt and permanent settlement of her constitutional question, is bound to deepen our anxiety as regards India's political future and will only justify and confirm the warning of the leaders not to build any high hopes on the advent of the Labour Party into power, since so far as India is concerned all Britishers are more or less of the same views and same colour. In the fresh intoxication of victory, Britain may ignore India and the Indian problem. That will make our task extremely grave and our path unprecedentedly perilous. We shall have to undergo untold sufferings and bear unexpected sacrifices. Britain may continue with all her might to dominate India politically and crush her economically. India, however, is determined to be free. Let Britain remember that the spirit of the Soul shall not be destroyed by the sharp edge of the sword. Let us, however, yet hope that the grave warning sounded by the President of the Congress, viz. "No peace can last long, if India is not allowed to function as a free country equal in status to the other great countries of the world" will yet find an active response from the Labour Party. Let them prove to the world that they are prepared to match their words to their deeds.

**India can do Without Foreign Machinery—but cannot Mortgage the Managerial Rights or Control of her Industries for Purchasing it**

10. Let us now turn to the consideration of some of the other problems which are causing us serious anxiety. When the Government announced their policy at the end of April that they would

> "take positive steps to encourage and promote the rapid industrialisation of the country to the fullest extent possible,"

we thought that they were really serious about the matter. As you all know many of the existing industries in India have been worked to death in assisting the war effort. They, therefore, urgently need to replace their lost or wornout machinery by the import of new plant and machinery from the U.K. or the U.S.A. Rapid industrialisation, however, means the establishment of new industries. India cannot do so unless necessary facilities are given to her for the import of machinery and plant for the starting of such industries in the country. The statement on industrial policy assured us that

> "Government will assist in the procurement of capital goods required by industrialists."

The statement further added that the Government proposed "to set up an organisation in the U.K. and in the U.S.A. for this purpose". We do not know what the Government have actually done for the setting up of these organisations and what immediate facilities and assistance they propose

to give to the Indian industrialists for the procurement of machinery. The cables which have published the views of the non-official Industrialists Delegation from time to time have conveyed to us the various difficulties that lie in the path of India obtaining capital goods both from the U.K. and the U.S.A. Although the Planning Member has told us that it would take nearly 2|3 years more before actual delivery of the capital goods could be obtained from any of these two countries, he has not thrown any light on the grave problem as to whether it would be possible to register definite orders at present for the purchase of such machinery in either of these two countries. Even if it was possible to secure the machinery and plant from the U.K. and the U.S.A. the Planning Member has himself referred to the demand made both in the U.K. and the U.S.A. that they would not sell their machinery and plant to Indian industrialists unless they were taken as partners in their enterprise. The reported views of the non-official Delegation of Indian industrialists, however, encourage the hope that it is possible to obtain capital goods from America without the fulfilment of such a condition as is laid down in the United Kingdom. India cannot accept machinery and goods under such conditions. It cannot encourage the starting of new East India Companies in this country. It cannot allow foreign domination in Indian enterprise. India cannot afford to allow such wealth as India may create to go out of the country. It is, therefore, heartening to note the following observation made by the Planning Member both on the eve of his leaving London and immediately after his arrival in India that it was difficult

> "to reconcile the interests of India and the demand of the foreign industrialists. Indians did not wish that foreigners should be partners in the capital. They merely wanted capital goods and plants for the starting of heavy industries."

On another occasion he remarked "India intends to control her own expanding industries" and added that "if the foreign firms wanted a share in the control of the industries, those die-hard firms will not get our orders." I want you, gentlemen, to note the words of the Planning Member "those die-hard firms will not get our orders". Moreover, the views and feelings of national India in a matter of this vital importance were very clearly and vigorously expressed by Mr. Birla before he left London for America. He stated :

> "If British industrialists hope to exercise managerial control of India's post-war industries as part of the terms for providing machinery and technical skill, India will seek other markets."

He further added :

> "India must have her own control of all important ventures she launches. In no circumstances will she be prepared to part with it. But she is prepared to pay an equitable price for technical skill just as she will pay for goods. If this position does not appeal to British industrialists, then India will have to knock at other doors,

which will not be in the interests of India and Great Britain. I hope that British industrialists will move with the times and will not still think of exercising managerial control but will be prepared to give technical help on the terms that they gave to Russia."

### Beware! Participation of Foreign Capital means Veto on Industrial Progress.

11. It is hoped that after this clear enunciation of our national policy, attempts will not be made to mortgage away our industrial future either by giving control to foreigners in our industrial ventures or by giving them a share in the capital required to run them. It is reported by some of the responsible industrial leaders, who have returned to this country after visiting Great Britain and America, that they have received advice from responsible Government quarters that it would not be wrong to allow the foreigners to participate in the capital of Indian ventures to the extent of 30 per cent. It should not be forgotten that no foreigners are philanthropists. They will not invest their capital in Indian ventures so that Indians can earn money for them. Their participation in Indian Industries will militate against India's economic freedom and political independence in the future as in the past. Moreover, those who are acquainted with the affairs of joint-stock companies in this country know full well that three-fourths majority is necessary to carry resolutions vitally affecting the development of the company and its future management. There has not been, or can never be generally cent per cent voting. It will, therefore, be easily realised how even 10 or 15 per cent participation by foreigners in capital will give them not only the control of the industries, but it will also give them the opportunity of exercising the right and power of veto on such progress and development of the industry as may be prejudicial to the interests of the foreigners in the future. This they can do by not allowing the resolution to be carried with the help of their voting strength. It will, therefore, indeed, be our misfortune if the Government themselves are encouraging the participation of such foreign capital in the development of Indian industries and I am sure, you will agree with me, that the Planning Member owes a duty to this country to make the position of the Government absolutely clear in this matter so that India may know whether industries in India have to be developed in national interests or for the benefit of the foreigners.

### Will India be given the Dollars She needs to buy Capital Goods from America?

12. As stated above, it is possible to obtain machinery of certain type in America without the demand of participation in capital or control as mentioned above. This is the broad impression which is left on our mind from all that our non-official group of industrialists has said upto now on this question. The fundamental difficulty, however, is that England does not release the dollars which belong to India from the Empire Dollar

Pool for financing the purchase of such machinery. Various proposals have been made in this connection. It is urged that at least one hundred million dollars should be released from the Pool every year for this purpose. It has also been suggested by Mr. Birla that the United States may give large loans to the United Kingdom in order to make it possible for America to trade with India. Despite the persistent demand of the commercial community that the Empire Dollar Pool should be dissolved and the dollars standing to the credit of different countries be distributed on a *pro rata* basis, no steps have been taken even to inform India as to what her share in that Pool amounts to. The Planning Member is reported to have said on his landing at Karachi that the Dollar Exchange was bound to ease shortly if this country wanted to make large-scale purchases from the United States. It was possible that that country would extend credit to India, provided we gave them the necessary guarantee. It is difficult to understand what scheme exactly the Planning Member has in view. We cannot urge upon him too strongly the imperative need to secure for India, at any rate, such dollars as India needs to finance her purchases in America. The Planning Member would, therefore, be doing a service to the country and would be really helping Indians to develop industries in the land, if he were to issue immediately a categorical statement making it clear to the public as to how dollars would be released for financing the purchase of machinery and plant and other goods from America which India badly needs.

**Planning Member's Mission to England and Commercial Safeguards**

13. Apart from the serious difficulties, referred to above, for obtaining capital goods for the rehabilitation of the existing industries and for the establishment of new industries in the land, there is another fundamental difficulty that stares India in the face. Although it has been urged again and again by responsible leaders that "the benefits of a national economic policy should be confined to really national concerns", no effective steps have been taken to safeguard national interests from the menace of India Limiteds. One of the main objects of the Mission which took the Planning Member to the United Kingdom was to secure the deletion of the Commercial Safeguard Clauses from the Statute Book as demanded by the Central Legislature and as repeatedly urged by the commercial community of the country. India cannot but, therefore, deplore the cryptic statement of the Planning Member at Karachi that with the formation of the new Government in Great Britain the whole position had changed in regard to Commercial Safeguards and that India should wait till such time as the new Cabinet defined its policy towards India. India expected that the Planning Member should have waited in London till that policy was announced and should have arrived at a definite understanding with the new Government on this vital question, without the effective solution of which industrialization of India could not be promoted in India's national interests. The one fundamental and glaring omission in the statement on industrial policy made by the Government in April last is that it does not contain any assurance that non-Indian capital will not be allowed to develop

industries in India in the future. Unless India is assured on that point and unless the Commercial Safeguard Clauses are removed, there can be no rapid industrialization of India in India's interest, as desired by the Government. To develop India's industries in India with British capital will be not only to mortgage away the industrial future of India but it will also delay India obtaining her political freedom for decades to come. Let there be no mistake about it. India should, therefore, demand with one voice that the Government should announce in unequivocal terms their future policy in these matters of far-reaching and fundamental importance to the development of an efficient national economy for India in the future.

**Repayment of Sterling Balances—the Myth of their being inflated exposed**

14. Another serious difficulty in the path of the rapid industrialisation of India is the absence of a solution in regard to the repayment of the Sterling Balances, to the credit of this country. We were told that conversations in regard to the settlement of this question were to begin in the United Kingdom at the end of May and that Sir Jeremy Raisman was to take a leading part in the same. We do not know whether any negotiations have been carried on or not and we do not know what progress has been made towards the solution of the question, if such talks have begun at all. Although the British Chancellor of the Exchequer has said that the repayment of the Sterling Balances cannot be treated as an "ordinary commercial debt", England cannot postpone for the sake of her own honour, the determination of the question as to how she proposes to repay the same. Statements have been made in interested quarters that these Sterling Balances are really inflated because England had to pay very high prices for the purchases of goods in this country. This myth of inflated balances has been laid to rest by the definite statements which have been made in the Fourth Report of the Select Committee of Parliament on British Expenditure in India. Referring to the purchases made under the Defence Expenditure Plan for which the Government of India was responsible, the Report states :—

> "Your Committee have been supplied with figures giving comparative prices in India and at Home for a wide range of stores, including textiles, general stores and munitions. These figures show that the Indian prices are seldom higher, and are generally appreciably—for some stores markedly—lower than the Home prices; and usually the higher prices occur where the articles manufactured are not those which Indian factories were accustomed to produce."

As regards the purchases made in India direct by the Ministry of Supply, the Report remarks that

> "taking into consideration the economic situation in India, they are satisfied that they have been able to obtain their requirements at reasonable prices, and that they have made every effort to follow a policy which would not aggravate the inflationary tendency in India."

It will, therefore, be recognised that these balances are not only not inflated but they are the result of the untold privations, sufferings and sacrifices of the people of this country. We would strongly urge upon the Government of India the necessity of announcing at an early date as to what steps they propose to take to settle the question as to how these balances are to be repaid by England to India.

### Protection to Industries—Existing and Future

15. If rapid industrialisation of India is to be promoted efficiently and in the national interests of the country, it is essential that the Government should announce in clear terms their future tariff policy which, it was stated, was " under active consideration ". It is also imperative that the necessary machinery for implementing that policy should be set up without any delay. The country also does not know what machinery has been set up for giving assistance or protection both to essential war-time industries as well as to industries which have been established during the war. Let not the industries established during the war be ignored under the plea that they were not established on " sound lines ". The Government owe an obligation to take the people into their confidence and tell them what they have done and what they propose to do to safeguard the existing industries as well as to give assistance and protection to the industries that are bound to be started hereafter.

### Capital Issue Control must go

16. Control over issue of capital has already been considerably relaxed in the United Kingdom. As it is difficult for the Indian industrialists to know whether their own capital will be released by the Government when they require it for their industry and as the inflationary tendency to prevent which the control had come into existence has been disappearing, it is essential that the control over capital issues should disappear forthwith so that the Indian industrialists can get ready with the capital they need to finance their present and further requirements.

### Let Government remember—it is Deeds, not Words which inspire Confidence.

17. These are some of the vital difficulties with which the Indian industries have to face and now that the Planning Member has returned to this country, we would appeal to him in all earnestness that he should tell the public in clear terms as to how the Government propose to solve them, so that Indian industrialists can take their own decision as to how they should proceed with their existing and future plans. If it is, however, not possible for the existing Government of India to assure the public that these difficulties will be solved only and entirely in national interests of the country, there could be no justification for the criticism of the Planning Member that

"India cannot allow economic events to wait upon politics and the economic planning of India must go on whether the Government enjoys full confidence of the people or not."

The commercial community is constrained to tell the Planning Member that the existing Government does not enjoy the confidence of the people, but it is for the Government to inspire such confidence which is lacking at present, by their own conduct and by their own action. Will the existing Government of India, under the leadership of the Planning Member, rise equal to the occasion and inspire such confidence in the people of this country ? India will judge them by their deeds and not by their words, not by what they profess but by how they act.

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*Speech of Mr. Mahomed Husein Hasham Premji, Vice-President, Indian Merchants' Chamber, Bombay, at the Second Quarterly General Meeting of the Chamber, on 16th August 1945.*

MR. PRESIDENT AND GENTLEMEN,

The President in his speech has dealt with some of the questions which are uppermost in our minds. I shall supplement the same by a few remarks on matters which will be of interest to you.

### Trade and Industrial Policy

With the cessation of the war in Europe and the Far East, we are now appoaching a new phase in our economic problems. These last five years of war have left a deep impression on our economic and financial structure, but I do not propose to go into that subject. We shall soon be facing new problems, problems of transition from war to peace, and also the problems of long-range development. It is of the utmost importance that India's economic policy in the post-war period takes into account both these aspects of the question. During the present war a large number of industries have come into existence, either to cater for Government demand for war materials or to supply some of the civil needs created by the stoppage of imports. The first requirement of a broad-based Government policy should be to see that these industries are not wiped out of existence as a result of competition from imported articles. We have not taken sufficient advantage of the war to foster an all-round industrialisation, but it would be a tragedy indeed if even such industries as have come into existence in spite of numerous handicaps are allowed to die out in the absence of adequate protection and other necessary facilities. In the years to come, we need, as a matter of fact, a well-balanced policy in respect both of imports and exports.

The guiding principle should be that India should import only such goods as are not or cannot be manufactured in this country in the near future, and export goods only by exporting which we derive special advantages and which can be spared after the needs of our people and

our industries have been fully met. Amongst imports, machinery, tools and essential spare parts must receive the highest priority. The war years have strained our mechanical equipments almost to a breaking point. Essential spare parts have not been available, and in many cases, improvised ones at high costs have had to be used. Imports of these essentials must immediately be taken in hand.

Efforts are being made at present to start motor, aircraft, ship-building and other vital industries in this country. It is the responsibility of the Government to see that these industries are also given adequate protection and other facilities so as to enable them to establish themselves on a firm footing.

In regard to exports, India has hitherto been forced to remain a supplier of raw materials in exchange for finished goods. The development of a planned economy in India necessitates a reorientation in this policy. It is necessary on the one hand to make the fullest use of our raw materials by developing local industries, and secondly to attempt to get the best price for such exports as are necessary and desirable. The policy of the Government of India during the last few years has been anything but satisfactory in this respect. That policy, briefly, has been to secure for His Majesty's Government certain essential raw materials from India as cheaply as possible, irrespective of the interests of this country. India has a monopoly or a practical monopoly of several raw materials such as jute, oil seeds, tea, mica and numerous other products so urgently needed by other countries. The Government of India handed over large supplies of these commodities to His Majesty's Government at such low prices that even the Conservative circles in Britain have had to characterise them as "fair". This was not all! *The Government of India went a step further.* His Majesty's Government and other agencies were thus able to buy cheaply in India not only for their own requirements or for war purposes, but also for supplying other countries such as Iran, Iraq, Russia, and now, the liberated European countries. Some of these bodies have ceased functioning or are about to cease functioning, as the need for them is disappearing, but I cannot help feeling that the numerous protests of this country against these methods have gone unheeded.

India is on the threshold of a rapid and large-scale industrialisation. For this purpose we need not only a proper commercial, industrial but a right fiscal policy. It is necessary that the State should immediately set about the task of assessing the requirements of the various industries to find out special handicaps or difficulties and to devise all possible ways and means to remove them. It is a matter of deep regret that already certain manufacturers of iron and steel goods have had their quotas of iron and steel reduced to small quantities in terms of their requirements on the plea that their products are no longer necessary for war purposes. This is another instance of how the Government of India have been ignoring the country's needs. Essential civilian requirements have been starved for the last few years, and now, when industries are being released from war

production, it should have been the duty of the Government to see that they continue to get raw materials and other facilities to enable them to cater for civilian requirements.

We have sufficient credits abroad to be able to buy as much of industrial equipment, plant and machinery, which must be imported from abroad as are necessary, provided adequate dollar and sterling balances are released. We have exported large quantities of goods to America, but we are given a meagre 20 million dollars a year from the Empire Dollar Pool, the details of which are not disclosed. If I am correctly interpreting Sir Ardeshir Dalal his conclusions are somewhat as under :—

> " American manufacturers are prepared to supply our requirements but we have not got the dollars to purchase their equipment. British manufacturers are unable to supply our requirements although we have the necessary sterling for it."

The recent Report of the Trade Commissioner in America states that industrial plants—almost complete factories and almost new, which would be suitable to our requirements—are available in U. S. A. On the other hand, England is not in a position to supply even Capital Goods in the near future. English manufacturers specify deliveries only at uncertain dates, and their prices are very high. There is a danger, and a very serious one indeed, inherent in the present policy of the Government of compelling us to buy only in terms of sterling, and we may find ourselves saddled with industrial equipment costing exorbitant amounts which might adversely affect our competitive strength and prove a serious handicap to our industrial progress.

I should also like to emphasise the need for a truly national outlook and policy on the part of the Government of India in all such matters. We have to guard against the danger of foreign concerns taking advantage of protection and establishing themselves in this country under the guise of " India Limiteds ". The Commercial Safeguards Sections of the Government of India Act debar our Legislatures from enacting any kind of legislation to protect and to retain Indian industries in the hands of the nationals of the country. Indian interests demand that Indian industries must be Indian in the full sense of the term and these sections of the Act must go forthwith. This aspect of the problem has definite political implications. Since these have been dealt with by the President in his address, I shall only reiterate his conclusion that only on the basis of complete national independence could India take any part in international agreements for a unified commercial and monetary policy. In this connection, I will quote from a recent speech by Sir Chintaman Deshmukh : " it is obviously to the advantage of the country ", he says, " to place itself in a position to participate in the benefits to world trade and global economic development which are anticipated from the successful operation of the two institutions ". Our experience of such Conferences has not been very happy in the past. Under the guise of such so called participations

the economic interests of our country have been consistently and progressively sacrificed for the benefit of others. India would be prepared to join such conferences and to contribute its share to world prosperity and to world development only on the basis of sovereign equality. We must be assured that we are in a position to buy in the cheapest and most favourable market not to be foisted with a topheavy industrial machinery under a necessity created by the exchange restrictions in favour of Great Britain. India has supplied goods and services to the allies at very favourable prices compared to similar supplies from other parts of the world. A reciprocal arrangement to enable us to obtain our industrial equipment at economic prices should be the first essential of our trade policy. Only such a policy can mitigate the fear expressed by Sir Chintaman Deshmukh, that "the cessation of war-time demand is bound to lead to maladjustments in the structure of production".

The post-war economic world, is going to be a world of highly organised export organisations backed by various national Governments. Only recently Great Britain has started a scheme of Export Credit Guarantee under which the manufacturer of exportable articles and the exporter are insured against—

(1) Insolvency or protracted default in payment on the part of the buyer.

(2) Exchange restrictions in the buyer's country which prevent the transfer of sterling to the United Kingdom.

(3) The occurrence of war between the buyer's country and the United Kingdom; or of war, revolution, etc. in the buyer's country.

(4) The cancellation or non-renewal of an Export Licence or the imposition of restrictions on the export of goods not previously subject to licence.

An export drive is being planned and organised in the United States and also in other countries in the interests of the policy of full employment. The Government of India on their part have done little or nothing in this direction. They have appointed Trade Commissioners to different countries who issue routine reports, which apart from providing lopsided and academic reading are of little practical value. These Trade Commissioners are not in a position to provide technical advice or establish proper contacts for our countrymen with foreign businessmen. The cumbrous procedure of an approach through the Calcutta Central Office has also been a further handicap. Trade Commissioners should be commercial ambassadors capable and competent of opening up between the two countries all possible avenues of mutual trade and commerce. They should be able to obtain all information regarding industrial procedure, commercial practices, etc. for both the parties concerned, and should make efforts to popularise our products in foreign countries and supply us information on trade and industrial possibilities of these countries with reference to our own. The work that the Indian Trade Commissioners are doing at present compares very unfavour-

ably with the work done by the Consulates of U. S. A. and other countries which maintain a highly trained and efficient staff for undertaking economic enquiries in the countries to which they are posted and making available to their countrymen expert guidance and advice. India, in the post-war period, will have to face competition from highly organised foreign export agencies with the backing and support of their Governments. Unless, therefore, similar facilities and help are accorded to our own traders by our Government we shall be in the danger of losing our export markets and suffering a set-back in our industrial development.

**Return of Indians into Burma and their Rehabilitation in that Country**

At the last Quarterly Meeting I dealt with several problems connected with our nationals abroad and particularly in Burma. Since then practically the whole of Burma has been liberated and active measures taken to rehabilitate that country. Although Civilian Government has not yet been permitted to return to Burma, the South-East Asia Command and the Civil Affairs Service have evolved several important measures to reorganise the economic life in that country. In all these measures the place and position of Indians has been singularly ignored. While the personnel of British commercial houses have been enabled to return to Burma in one guise or another, whilst a number of rice mills, timber mills, oil refineries and other industries have started working with the aid of these British personnel under the C. A. S., Indians have neither been allowed to return to Burma nor to participate in its rehabilitation.

You are well aware of the vital stake our countrymen have in Burma, and of their large investments amounting to over 200 crores of rupees in the industry and trade of that country. A million and a half of Indians formed the backbone of the economic life of Burma. On occupation by the enemy, over 4½ lakhs of Indians had to evacuate the country. The immediate return of them to Burma is of the utmost importance to the post-war development of Burma itself. I am afraid the statement made in the Blue Print for Burma, namely, that "this exodus at the time of evacuation has solved the alien problem in Burma", is being deliberately and fully implemented under the guise of military necessity.

An Agricultural Projects Board has been formed in Burma under the present regime to purchase, distribute and export the agricultural surplus available in that country. From information available it seems that this Board will continue to function for at least two years after the establishment of the Civil Government in Burma. Its powers will be wide and it will undertake the responsibility of purchase, storage, internal distribution and export of the agricultural commodities of Burma. On the Board is represented among others, the British Ministry of Food, and it is felt that as far as the allocation for the purpose of export is concerned that will be decided by the representative of that Ministry. Arrangements for finance have already been undertaken mainly through British Exchange Banks. In political matters Major-General Rance, the Director of Civil Affairs,

Burma, is to be advised by a committee of twenty-five. As you are aware, most of the Indian leaders and Indian businessmen had to come away from Burma. Representative Indian opinion, therefore, it is presumed, will not find a place on this committee. Underlying all these actions, as I said in a Press statement recently revealed a deep game to which the British Government is a party. As far as the Government of Burma in India is concerned, their actions in the above direction do not inspire confidence. A form which Indians in Burma desirous of returning there are compelled to fill in, calls for information, which, to say the least, is undesirable in such a form and unnecessary for the purpose of building up records, which the Government of Burma would require. Demanding information with regard to domicile, normal residence, etc. it is feared, is only a backdoor method to bypass the constitutional rights guaranteed to Indians under the Government of Burma Act of 1935 and the various promises made on behalf of the Government at that time. This is not all. The Government of Burma have under consideration proposals to import articles required for civilian consumption under a system of Agents to the exclusion of the normal channels of trade, principally Indian. These proposals and the operation of the Agricultural Projects Board constitute a serious danger to Indian interests, Indian traders especially the rice traders, who form the basis of the economy of Burma. Representative Indian opinion has strongly protested against these actions of the authorities. Our Chamber has made strong representations in that connection. We can only look upon the Government of India to protect our interests and to see that Indians return to Burma at the earliest possible opportunity under the present administration and participate in the rehabilitation of Burma. I am given to understand that negotiations with regard to trade, immigration and such other problems are also in hand. I trust the above important problems will be properly dealt with by the Government of India to secure justice to the Indian interests.

The Civil Affairs Service in Burma has, further, taken in hand even important social problems, apart from economic problems. The appointment of Sir Alexander Campbell to deal with educational problems and to arrange for the immediate starting of refresher courses in the universities to enable students to continue academic studies which were interrupted during the period of enemy occupation and further to arrange to send students to the U. K. for their education are all matters which have been undertaken by the military administration. A Custodian of Property has been appointed and eight committees to advise him were constituted in consultation with the British Chamber, the Burma Indian Chamber, and the Chinese Chamber of Commerce. These committees in all consisted of 30 Europeans, 22 Indians and 18 Chinese and were due to go to Burma in July of this year to enquire into the state of industrial and commercial property and business. At the Conference in New Delhi held on the 25th June, a strong plea was made for the establishment of a further committee of eminent Indians to go to Burma and enquire into the state of agricultural lands and urban property with a view to report on the arrangements

available for the return of Indian evacuees to Burma. The Burma Indian Chamber of Commerce has now been advised that for operational reasons even the inspection committees already constituted are not to go to Burma in the near future.

Reports are prevalent that life is quickly returning to normal in Burma, business activities started, shops opened, industries rehabilitated and efforts made to generally reconstruct economic life. To help all this over 1,20,000 fresh Indian labourers are being taken to Burma. It is up to the Government of India to see that these people are allowed to settle down in Burma and their future rights and position safeguarded. It will be appreciated, under these conditions that the demand of Indian evacuees for facilities to return to their former activity in Burma is just. There is a large civilian population, both Indian and Burmese, resident in that country and I fail to understand this inordinate delay in finalising of schemes for the return of Indian evacuees to Burma. This matter was strongly brought to the notice of the Government of India at a Conference convened by the Government of India on the 25th June last. This Conference, consisting of representatives of all Burma Evacuee bodies and such other bodies in India as the Federation of Indian Chambers of Commerce and Industry, Imperial Indian Citizenship Association, the Rice Conference of India, Burma and Ceylon and others, very strongly urged upon the Government the immediate solution of the above question.

So far unfortunately no action seems to have been taken. A Conference convened by the Burma Indian Chamber of Commerce on the 7th July 1945 in this very hall representing all varied interests also strongly urged upon the Government the immediate solution of these questions. It is now up to our Government to see that these legitimate demands of our nationals in Burma are adequately and properly met with, their future protected and their immediate return to Burma assured.

## Civil Aviation

It is a matter to be deeply deplored that the Government of India have systematically ignored the demand in the country that non-officials enjoying the confidence of the people should be associated with the delegation which should represent India at the several Imperial and International Conferences connected with the problems of civil aviation. It is also inexplicable as to why they have not placed the results of such Conferences before the Central Legislature and have even shirked their responsibility to take the members of the Policy Committee into their confidence in this matter. This secretive policy of the Government is in glaring contrast with the policy of enlisting public support adopted in other countries in a matter of this vital importance to the future of the world. The result has been that India does not know what the official representatives actually did at the Empire Conference in London, at the Chicago Conference in America and at the Montreal Conference in Canada. Last month, Sir Gurunath Bewoor and Sir Frederick Tymms participated as India's Delegates in the

Commonwealth Air Transport Council. We do not know whether the national demand of India in regard to our internal and international position in the field of civil aviation was properly submitted to the Council or not. The interviews given by Sir Gurunath Bewoor will naturally cause both anxiety and resentment in this country. The development of civil aviation in any country demands that that country must provide proper facilities for the training of an air personnel, must establish an aircraft industry and must take steps to run both internal and international services owned, controlled and managed by her own nationals. It is, therefore, very distressing to learn that Sir Gurunath should have insisted on the use of British personnel and the British aircraft in the development of civil aviation in India. There is no inherent objection in India to the use of British aircraft. India should, however, have the right to buy aircraft from any place in the world as it may suit her requirements. One fails to understand why such emphasis has been laid by Sir Gurunath on the use of British aircraft, when England herself will have to buy such aircraft from America. To insist on the use of the British personnel and to shirk the responsibility of providing facilities for the training of pilots and other ground staff in India itself is to continue the past story of tying India to the chariot wheel of England. Sir Gurunath forgets that we are living in 1945 and not in the previous century. India will not tolerate such an anti-national position but will demand that India must have her own aircraft industry and India must have her own air personnel trained in her own country.

Sir Gurunath has gone a step further. Before leaving India for attending the meetings of the Commonwealth Air Transport Council, he assured the people of this country in his broadcast talk that the external or the international services of India would extend to the United Kingdom, the near East, China and East Africa. He added that it would involve a capital investment of Rs. 3 crores and an annual operating cost of a further sum of an equal amount. We do not know whether he has taken a complete somersault in this matter or not, but his statement that "India's plans for trunk services as feeders to the Commonwealth efforts or international services must come first" and his acceptance of the policy that the post-war civil aviation of the British Empire will be founded on the basis of a "parallel partnership" and that India will share in any loss which such partnership may bring can have only one meaning that India is destined to provide mere facilities for other Empire countries to run their services in the name of the Empire, but that India will not develop either her internal services in her own interest or take part and develop international services in accordance with her geographical and strategic position or in accordance with her importance as an important country in the East. It is now over 16 months since the last meeting of the Policy Committee in regard to air was called. It is really a mockery of consulting the leaders of Indian thought in regard to the so-called post-war plans of the Government of India, if commitments after commitments are made by the Government not only without consulting the Committee appointed by them, but even by shirking their responsibility even to inform them as to what

the Government have done or have been doing. The least that the Government should do before the pass is completely sold is to tell the country clearly and definitely what steps the Government would take to establish an aircraft industry in the country for providing facilities for the training of an air personnel, to develop the spirit of air travel and to build up internal services in India's interest and to establish international services owned, controlled and managed by the nationals of the country. Without taking active and effective steps in these directions, I am afraid India's proper position in the field of civil aviation will be doomed for ever.

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*Speech of Mr. M. A. Master, President, Indian Merchants' Chamber, Bombay, at the Third Quarterly General Meeting of the Chamber, on Tuesday, the 30th October* 1945.

GENTLEMEN,

The Report of the work which the Committee of the Chamber have done during the third quarter of the current year has already been forwarded to you.

2. Before I offer a few remarks on some of the problems of the day, let me on behalf of all of us offer our sincere felicitations and greetings to Sardar Vallabhbhai Patel on the happy occasion of his seventieth birthday, and wish him all strength and every opportunity to win the fight of Indian independence and live long to guide the destinies of a free India as an equal among the free nations of the world.

3. It is also my pleasant duty on behalf of all of us to offer our warm and cordial congratulations to our friend, Mr. Subedar, on his unopposed return to the Central Legislature. His ability to represent our cause and fight for it with faith, courage and determination is well-known to all. I have no doubt that he will zealously watch and serve, during the troublous times that lie ahead, with vigilance and foresight, the interests of the commercial community and always uphold the banner of the Chamber as a Member of the Legislature.

### Leaders stand by the People

4. Two events of far-reaching importance, gravely affecting the future of India, have occurred since we met here in August last. They are the announcement made by Lord Wavell of the policy of His Majesty's Government for promoting "the early realisation of full self-Government in India" and the reiteration by the All-India Congress Committee of the national goal for securing "complete independence for India". The cold, unenthusing statement of Lord Wavell, vague, unsatisfactory and retrograde as it is, created a widespread feeling of disappointment and even resentment. It was at this time that the people of India received a message of hope and faith from their own leaders. The All-India Congress Com-

mittee congratulated them on the courage and endurance shown by them, in withstanding the violent onslaught of the British Power, during those trying years of military, police and ordinance rule. The people realised that their leaders would not disown them for what they had done during those stirring days, as some loyalists have done, but that, on the contrary, they would stand by them and encourage them in resisting "the armed might of an alien Imperialist power" which sought to crush their spirit of freedom. In view of the manner in which their action was condemned, while their leaders were behind the prison bars, this appreciation by the leaders of what they were compelled to do, to keep the flame of freedom burning, was not only necessary to clear their conduct before the freedom-loving world, but it was also essential for sustaining the spirit of the people in their fight for their country's freedom. Moreover, the recognition by the All-India Congress Committee of the grim resolve of the people to secure deliverance from foreign rule and their re-enunciation of the national policy and re-expression of the national will, for securing India's political goal will not only steel the spirit of determination of the people but will also give them the much-needed strength and encouragement to carry on with vigour and faith their fight for Indian independence. The difficulties which lie in our path are, however, immense and almost insuperable. The fact that the leaders of the people are now, however, free and with them, will lighten the burden of these difficulties in their onward march, and will quicken their pace to reach the goal on which all of us have set our hearts.

**Irresponsible Government to continue Shaping India's Destiny**

5. But why has the policy of His Majesty's Government, recently announced by Lord Wavell, as just remarked by me, created such deep disappointment in the country, and why has it been ruthlessly condemned even by such sober and moderate leaders like Dr. Jayakar and his friends? It is because not only has Lord Wavell failed to establish forthwith even an interim National Government at the Centre, but he has also banged the door for months to come against popular ministries resuming power in the Provinces.

6. With a view to take, as you all know, the first step to solve the then existing political deadlock, the Congress, in a spirit of constructive statesmanship and active conciliation, agreed in June last to join the Executive Government to be established at the Centre, as visualised by Lord Wavell at the Simla Conference. That Conference, however, failed for reasons which are well-known to all of you. Lord Wavell's statement after the failure of the Conference that he would, however, overcome all difficulties for establishing such a Government, as indicated by him, sustained the hope that he would soon be able to form such a Government at the Centre. Instead of forming such a Government at the Centre, it is a matter to be deeply deplored that His Lordship has now been a party to a policy which, as I have already remarked, has prevented even the popular

ministries from functioning in the Provinces. It is, therefore, a matter of not a small misfortune of India, that at a very critical time in her fight for national independence, and her efforts for national regeneration, the shaping of her national destiny is to be continued to be left in the hands of an Executive Government at the Centre which even Mr. Amery had to confess is "unrepresentative and impotent" and is to be exposed to the tender mercies of the Governors in the Provinces, who are neither responsible to the people nor responsive to their needs and aspirations. Which patriotic Indian can view such a state of things with equanimity?

### Why India wants a National Government

7. India has been demanding for years past, the establishment at the Centre, of a National Government with full sovereign powers, responsible and responsive to the people. Such a National Government, however, has become absolutely essential now when grave, social, economic and industrial problems, having far-reaching effect on the future of the country, await immediate solution. We want to raise the standard of living of the masses and to find continuous employment for them. We want to provide fully for their human wants and material needs. We want to organise social services for the betterment of their education, health and life. We want our agriculture to expand and to produce larger crops and to give greater yields so that every one in the country can have at least adequate and nutritious food to eat. We want the rapid industrialisation of the country to the fullest extent in all directions. We want to take immediate decision in the true interests of India for securing the repayment of her large credits with the Government of the United Kingdom. We want to get the Dollar Pool dissolved so that we may have the necessary credits for financing our purchases from the United States of America. We want to indianise all our administrative and executive services. We want to determine for ourselves, our own national policy of defence and to create an Indian personnel to officer our defence forces in the army, navy and the air force. We want to play our full part "in working out the new world order" as remarked by Lord Wavell, and for that purpose we want to send Indians enjoying the confidence and respect of the people at all international Conferences and gatherings and we want the true voice of national India to be heard and respected at the Peace Conference which will be held in the near future. In short, India wants to become a free nation with full powers of sovereignty, living as an equal among the free nations of the world. This is why India wants and demands that there should be a National Government immediately established at the Centre—a Government which will carry the confidence of the people, act in accordance with the voice and the will of the nation and enable it to realise all its national aspirations.

### New Problems with Fresh Declaration of Policy

8. The policy recently announced by Lord Wavell does not, however, justify the hope that such a National Government will be established in

India in the near future. Although he has promised that he will, after the Provincial elections are over next year, take steps to bring into being an Executive Government, which will have the support of the main Indian parties, we do not know what His Lordship will do, if one of such parties refuses to co-operate with him, in the future as in the past, in the fulfilment of his task. It is really significant that every time His Majesty's Government have made a declaration for giving self-Government to India, they have set forth fresh problems for Indians to solve, created further complications for them to disentangle, laid down new conditions for them to fulfil, urged upon them the claims of new interests to accept and called upon them the ever-increasing sphere of obligations of the rulers to recognise. History, I am afraid, is likely to repeat itself, and those who are carrying on the fight for Indian Independence may find that the real National Government for India will recede further and further like the mirage in the desert. One shudders to think what will happen to India if, in the meantime, the true interests of India were to be mortgaged away and her just rights were to be irretrievably sacrificed by the existing irresolute, irresponsible and irresponsive Government.

### Are Conditions of Elections Fair and Free ?

9. I do not think that I will be ungenerous to His Excellency the Viceroy if I say that the preparation of the electoral rolls with the omission therein of thousands of names of real voters, the disenfranchisement of hundreds of individuals including such well-known men as the ex-Premier of Orissa, the ex-Revenue Minister of Madras and the ex-Dean of a leading Medical College of Bombay, the prevention of hundreds of people from exercising their right of vote by keeping them in prisons on political grounds and the indecent haste with which elections have been rushed through cannot inspire the hope that they are held with the real intention of ascertaining the true will of the nation. And may I know on what vital issue do His Majesty's Government and Lord Wavell want to ascertain their will ? They have said nothing about it. Their silence is significant. Whatever, however, the manoeuvring and whatever, however, the object of the Government may be, they will not be able to suppress the will of the Nation. The Congress has called upon the people to vote on the vital and fundamental issue of the transfer of real power from the British to Indian hands and the Labour Government which has maintained the traditional policy of their predecessors towards India will soon realise that India has accepted their challenge on the issue of elections, and despite every difficulty and disability put in her path, will win and win it successfully.

### Who will draw up the Future Constitution and Who will make the Treaty ?

10. Two problems of supreme importance, the rightful solution of which will make or mar the future of India, are, (1) who will draw up the future constitution of India, and (2) what will be the content of the

Treaty to be concluded between Great Britain and India and who will make it and at what stage of constitutional development? Lord Wavell wants to first ascertain by consulting the representatives of the new Provincial Legislatures only "whether the proposals contained in the 1942 declaration are acceptable or whether some alternative or modified scheme is preferable". It is difficult to understand why the representatives of the Central Legislature and the Presidents of the two political bodies in the country are to be excluded from such discussions and consultations when even the representatives of the States will find a place therein? Again, discussions with the same representatives will be carried on for the purpose of determining the form of the Constitution-making Body as well as its powers and procedure. Here also the representatives of the Central Legislature and the Presidents of the two political bodies will have no say. Moreover, there is nothing definite about it, as it was laid down in the Cripp's declaration. It will be obvious to all that unless the Constitution-making Body is so formed and is armed with such powers and procedure as will enable it to declare and register the will of the nation, especially on the issue of the transfer of real power from British to Indian hands, it might prove to be a curse rather than a blessing to India. India wants to have a clear and categorical picture about the form, powers and procedure of such a Body before it can agree to the drawing up of a future constitution for India by that Body. At the present, everything is vague. Indians will be consulted. Lord Wavell, however, will decide. How can this be accepted in the future interests of India?

11. Moreover, while India will welcome now to know the nature and content of the Treaty which Great Britain may like to make with India, India cannot agree to the terms of such a Treaty or to its conclusion at this stage of her constitutional position. Such a Treaty can be discussed and its terms finally settled only after Great Britain has agreed to implement the constitution for India which may be drawn up by her own people. A careful analysis of the steps which Lord Wavell has laid down in his broadcast, both for the making of a new constitution and the conclusion of a Treaty, will justify our fear and confirm our conviction that an exceedingly subtle move and policy underlies all such declarations whereby His Majesty's Government and the British Parliament not only want to preserve their right and prerogative to lay down the Law for India for the future, but they also want to impose their will on and influence the decision of those Indians who may be entrusted with the task of drawing up a Constitution or settling the terms of a Treaty. Unless India remains extremely vigilant to avoid falling into such a trap, she will never get the real power and freedom to shape her destiny as a free nation in the real interests of her people.

### Non-availability of Machinery and its Effect on Industrialisation

12. Let me now say a few words on another subject of equally vital importance to this country. Have we made any real progress in the "rapid

industrialisation" of India ? It is, I am sure, obvious to all of us that what we urgently and immediately need for this purpose is the capital goods and machinery. They are essential not only for the establishment of new industries but they are also indispensable for maintaining the existing industries upto their present strength and modern standard. As remarked by the Planning Member "our reconversion problem is largely dependent on our ability to get machinery from overseas". The message given to India by the Industrial Delegation as well as by the Planning Member after their return from the U.S.A. and the U.K. does not, however, inspire any hope in us for getting such machinery for the next two or three years. That by itself is not an insuperable difficulty. The real trouble is this. We do not know whether it is possible to place at present any *pucca* orders, for the machinery required, either in the U.S.A. or the U.K. with a definite price and a fixed date of delivery. No industrialist can, it will be recognised, proceed usefully or effectively with his plan without the knowledge of these essential particulars. The Planning Member has told us that under the scheme for registration of capital goods, the Government of India have accepted applications for capital goods of nearly 35 crores out of a total exceeding 60 crores of rupees. It is, however, a matter of regret that no light is thrown by him in connection with the steps, if any, which the Government have been taking to help these applicants in placing the orders for capital goods for which applications have been made by them as required by the Government for months past. The registration scheme will defeat its object if no active help was to be given by the Government to the applicants to secure the capital goods which they required. The reported result of the discussions which the Industrial Delegation and the Planning Member had on this subject during their recent visit to the U.K. and the U.S.A. does not justify the statement of the Planning Member that

> "British opinion has advanced considerably in recent times and **there is hardly any one in England now whose opinion is worth anything** who does not accept the thesis that it is right that India should develop her industries, and that such development, **far from injuring British interests, will eventually result in increased prosperity for both.**"

13. The black type is mine. If they honestly believed that the development of Indian industries would really lead to increase the prosperity of both England and India, it is difficult to understand and impossible to justify the present unhelpful, if not obstructive attitude of the parties concerned in the United Kingdom in supplying machinery to meet even the requirements of the existing industries which were worked to death for promoting the war effort—not to say anything about the same required for the establishment of new industries in this country.

14. The non-availability of capital goods and machinery is bound to seriously delay the fulfilment of the object of the Government of India for the "rapid industrialisation" of this country. We do not know if any effective steps are taken by them to avoid this delay. It is common know-

ledge that machinery and capital goods will form part of reparations from Germany and Japan. If that is so, it is essential that the Government of India should try to obtain a legitimate share of such reparations for the use of the nationals of this country to which it is fully entitled.

### Can India make Her Own Machinery?

15. May I also recall, in this connection, the statement of the Planning Member to the Industries Policy Committee that "the intention was not only to start new industries and maintain and expand the existing ones with the help of imported machinery, but also to make such machinery in this country to the extent possible." We do not know whether the Planning Member has evolved, as a result of his recent visit to the U.S.A. and the U.K., any scheme for the manufacture of machinery in this country which can be immediately put into operation. In view of what he has told us about the supply of machinery in the near future from countries overseas, it is a matter of great importance that this subject of manufacturing machinery should be further and fully investigated both by the Government and the leading industrialists in the country. When others do not or will not help you, self-help and self-reliance can alone become the sheet-anchor of progress and prosperity.

### Commercial Safeguards—Planning Member's Mission

16. While the non-availability of machinery is bound to delay the progress of the development of Indian industries, the position which the British capital is allowed to occupy and maintain in this country, will seriously hamper their future growth. As I have pointed out on a previous occasion, the statement on the industrial policy made by the Government of India in April last makes no mention either of their attitude towards British capital in this country or the position which it should occupy in the industrial development of India. It is impossible to understand why the Government of India hesitate and shirk their responsibility to confess their faith that the industrial development of India means and can only mean the development of industries owned, controlled and managed by the nationals of the country. If they have no such faith and if they really believe that it is in India's interests that it should continue to face the menace of India Limiteds and that the Government would welcome the new formation of such combines as Imperial Chemicals, Lever Bros., etc., let them have the courage to say so. It is suicidal from the national point of view to keep India in the dark in a matter of such vital and supreme importance.

17. Moreover, India demanded with one voice the complete removal of the Commercial Safeguards from the existing Constitution. Sir Ardeshir Dalal, the Planning Member, was entrusted with this special mission during his recent visit to the U.K. I regret to say that he has failed in his mission. Although the Government of India wants the rapid industrialisation of India to proceed on its march, and although the Planning Member had to confess at the recent meeting of the Industries Policy Committee that "it is not possible for the industrial development of India to proceed unhindered as

long as these constitutional provisions remain on the Statute Book", it is an irony of fate that the Commercial Safeguards will continue to operate in all their vigour and new British capital will cover, in the future as in the past, new fields for exploiting India and her wealth. It is a poor consolation for us to be told by our Planning Member that this question should be now considered as a part of the general constitutional settlement. What about industrial development in India's interests till that time is reached?

### New Constitution Must be Based on the Recognition of the Sovereign Rights of India

18. There is another vital aspect of this question which deserves to be emphasised. In elucidating his draft declaration for constituting India a Dominion, Sir Stafford Cripps remarked "we are not going to make any condition in the Treaty as regards guaranteeing the vested rights of British interests in India". It was also stated later on in the House of Lords, during the course of a debate for safeguarding British interests in India, that to insist on the inclusion of "Safeguards" in the Constitution "as a pre-condition to the creation of an Indian Union was not compatible with the offer of Dominion Status". This view was endorsed by the spokesman of the British Government. The Duke of Devonshire stated clearly:

> "We mean what we said about India's constitutional future and that means we have passed from the conception of tutelage to that of a free and willing partnership. Guarantees other than those arrived at by a process of free negotiation are incompatible with equal partnership, and so are all those restrictions upon the freedom which is to be conferred upon India."

At the end of his speech the Duke of Devonshire sounded a note of warning against the demand for the retention of such safeguards and observed:

> "We deal with them and all safeguards and guarantees by discussion and negotiation as **between equal partners.** I wonder if any of your Lordships can really doubt which is the better system. The one led to the 'Boston Tea-Party', the other to the Ottawa Agreements."

The black type is mine. It is a pity the present Labour Government fails to recognise the obvious truth and is not prepared to agree to the national demand in the country for the immediate abolition of the provisions for Commercial Safeguards from the Statute Book. With them installed into power, I regret to say the chariot of India's freedom, instead of making a move forward, seems to go backward at every step.

### Indian Shipping Finds No Place Either in the Bombay Plan or in the Statement of Industrial Policy

19. Let me now refer to an Industry—and I am sure you will forgive me for doing so—in which I am intensely interested. I mean the Shipping Industry. It is a mystery which I am not able to solve as to why the Shipping Industry is conspicuous by its absence both in the Bombay Plan as well

as in the statement of Industrial Policy issued by the Government of India. The last World War brought home to every maritime country that without an adequate Merchant Navy, it cannot live and exist as a free and independent country. The Second World War has not only confirmed that truth of experience, but it has also deepened the conviction of all nations in this vital matter. Shipping Industry has been, however, recognised as a national asset and a vital element in the economic policy of a maritime country. The Government had to recognise the vulnerability of India's position as India was not able to find "adequate shipping from her own resources to provide for the transport of food supplies required by her". This was one of the reasons of the great Bengal tragedy of 1943. It is common knowledge, what a trial it was for the nationals of the country, in the absence of a national shipping to serve their interests and protect their rights, to maintain their position during the war in the import and export trade which they had built up in the pre-war years. Even the Commerce Member remarked only last week "I cannot think of any future for this country without a strong mercantile marine and a strong navy" and added "acquisition of an adequate share in the world's carrying trade would be the aim of India's post-war shipping policy." India has a coastline of over 4,000 miles. India's maritime trades exceed 30 million tons. It is indisputable that the rate policy both of the railways in India as well as shipping serving India's trades was based on giving preference to the products of foreign countries over those manufactured in India. It was only after the advent of national shipping that the rigorous exercise of that policy was a little slackened. India will have to capture foreign markets for the sale of the products of her new industries. How will she be able to do all this without her own National Shipping? Shipping also plays an important part in the invisible exports of a country. The annual freight bill must have exceeded Rs. 50 crores before the war. National Shipping alone can retain a very large part of this wealth within the country and strengthen its national economy. Moreover, national Merchant Navy is essential as a second line of Defence. What is, however, the position of the Indian Merchant Navy today? While the total shipping in the world is nearly 80 million tons gross and while British shipping has been fast bridging the gap created by the war-time losses and will soon reach its pre-war figure of 18 million tons, shipping owned, controlled and managed by our own countrymen is less than a lakh of tons gross today. It is the British shipping that exploits us, dominates us and keeps us under subjection. Development of Indian shipping, without which there cannot be either economic prosperity or political freedom, will be the last thing which Britain will allow us to do. That is why I have said that I cannot understand why no mention is made about the development of this vital industry either in the Bombay Plan or in the statement on Industrial Policy. Is it because they are unconcerned with the fate of this great national industry or is it because they have faith in its inherent strength to struggle, to exist, to fight and to develop unaided by their encouragement, sympathy and support?

*Speech of Mr. Mahomed Husein Hasham Premji, Vice-President, Indian Merchants' Chamber, at the Third Quarterly General Meeting of the Members of the Chamber on 30th October 1945.*

MR. PRESIDENT AND GENTLEMEN,

The President has in his speech dealt, in his usual able and trenchant manner, with some of the problems which are of vital concern to us at this stage. I would, with your permission, like to supplement the same by referring to some questions which are of considerable topical importance.

## Abolition of Wartime Taxes and Charges

The readjustment of war-time economy to a peace-time footing is one of the most important problems which confronts the country today. There has not been any considered pronouncement from official sources in regard to this matter. Such indirect references as are made from time to time in connection with the discussion of this aspect of the problem in the press or in the observations made by spokesmen of Government mainly seem to be directed to the transitional problems of demobilisation of defence personnel in services, their absorption in peace time avocation, matters relating to disposal of war materials and readjustment of industrial production. It is disappointing to find that, although more than three months have passed since the war officially ended in all the theatres, the problem of switching over the economy of the country to a peace time footing has not yet been actively pursued.

I am today going to deal mainly with the question of the abolition of the war-time taxes and charges imposed on the civilian public of the land in general and on the commercial community in particular. Before, however, referring to these taxes and charges, it would be interesting to enter into an examination of the extent to which the country was called upon to bear increased burdens on account of the war. I give below a table indicating the progressive increase in the expenditure, both civil and military, from the year 1938-39 :

**Total Military and Civil expenditure for the 7 years of war**

*(In Crores of Rupees)*

| —— | 1938-39 | 1939-40 | 1940-41 | 1941-42 | 1942-43 | 1943-44 | 1944-45 | 1945-46 | Total for 7 years of War |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Revised | Budgeted | |
| Defence Expenditure (excluding capital items) | 46.18 | 49.54 | 73.61 | 103.93 | 214.62 | 358.40 | 397.23 | 394.23 | 1,591.56 |
| Civil Expenditure | 38.97 | 45.03 | 40.57 | 43.33 | 74.43 | 83.44 | 115.42 | 123.4 | 525.62 |
| | | | | | | | | | 2,117.18 |

It will be seen therefrom that the total military and civil expenditure for the 7 years aggregate to more than Rs. 2,117 crores or, in other words, it was over Rs. 1,500 crores more than what would have been spent during that period, based on pre-war expenditure, if there had been no such war. In short, India has footed a direct war bill of over Rs. 1,500 crores. This is of course exclusive of the increase in expenditure which the various Provincial Governments had to meet—in some cases two and a half times the basic levels in pre-war years—a good part of which had again to come out of fresh or increased taxation.

So far as the Central Government themselves were concerned, the gap between revenue and expenditure in successive years was met by firstly stepping up existing rates and levels of taxation, by introducing new taxes, both direct and indirect, by converting some of the utility and commercial services rendered by Government as vehicles of indirect taxation and partly by borrowings.

By the Excess Profits Tax alone Government recovered during the period of the war over Rs. 290 crores from commerce and industry. The Chamber has, on various occasions in the past, dealt in detail with the far-reaching and insiduous effects of this levy on the industrial organisation of the country, particularly in so far as due account was not taken of the needs and requirements in the post-war period for purposes of reconstruction, replacement and rehabilitation of industrial plant and equipment. Similarly, the income-tax rates were increased; surcharges were added; Customs and Excise duties were increased by the addition of surcharges, new excise was imposed on even essential articles of daily consumption like betel nuts, coffee, tea, tobacco, vegetable products, etc. Moreover, one form of war time taxation against which strong objection was taken in the country, was opposed to sound principles of taxation. It was the device of using the public utility services such as railways, posts and telegraphs, telephones, etc., as a source of revenue for Government. During the 7 years from 1939-40 to 1945-46, the contribution made by the railways to the General Revenues amounted to over Rs. 158 crores; similarly the Posts and Telegraphs has contributed over a sum of Rs. 41 crores during the period for the general budgetary requirements of Government.

Taxation on communication has been acknowledged by financial Pundits as an extremely unscientific form of tax as the same falls both on the consumers and the producers. Contrast the above with the position in the U.S.A. where, although Government found it necessary to effect an all round increase in tax burdens imposed on the public, they still left the utility services untouched and were losing about 12 million dollars every year on the Postal Department in the interest of preserving the cheapness of that service for the common man. I have thought it fit to refer to the above details with a view to indicate how unscientific the whole taxation policy of Government has been during the period of the war and how in their anxiety to gather as much as possible, they have imposed new taxes

or increased existing rates without due regard to the long-term consequences of such a step.

It is, perhaps, not generally realised that India has tried to meet a larger proportion of her war-time expenditure by increased revenue. In the year 1945, the total current revenue represented Rs. 41.6 per cent of the total current expenditure in the U.S.A., 58.7 per cent in the U.K., 45 per cent in Canada, 49.8 per cent in Australia, 65 per cent in South Africa and 67.7 per cent in India. It is but natural, therefore, that with the end of the war the public in the country should feel strongly that some relief in regard to all these new and increased taxation should be immediately forthcoming. So far as the E.P.T. is concerned, from the very nature of the levy and from the statements made at the time when it was introduced, it must naturally cease with the end of the war. The same is the case with regard to increases and surcharges made on Income-tax for reasons connected with the war. The increases on public utility services, viz., rates and fares over the railways and postal and telegraph charges should forthwith go and Government should further at the same time undertake a review regarding the other tax burdens imposed during the last six years. The war time expedient of raising money by stepping up rates on customs and excise or adding surcharges should be done away with. There is no need to wait till the next budget for all these changes. Some of the increases and imposts can straight-away be abolished. Although suggestions to the above effect have more than once been made from many quarters, it is disappointing to note that Government have not thought it fit to give any indication of their intentions in this regard and are sphinx-like sitting tight over the matter. Public opinion should assert itself and curb and foil any tendency on the part of the authorities to convert a good part or portion of these increased tax resources as permanent features in our taxation system.

**Wartime Controls and Readjustments during the Transition Period**

In my speech at the last Quarterly General Meeting of the Chamber, I had dealt with, at some length, issues relating to our import and export trade in the post-war period and the need for formulating a policy which would stimulate exports and find markets for the products of the country which are not in short supply on the one hand and secure the importation, in such quantities, as are required for the country, of articles and goods which are not locally available or manufactured, on the other. I would like to refer today to certain important aspects concerning the future of the various measures of control on trade, commerce and industry instituted by the authorities during the war. It is by now almost an accepted fact that Government were unsuccessful in their schemes of controls and that the object which they had set for themselves in putting them into force was not achieved. The public in the country were not averse to control as such; they realised that exigencies of war would necessitate the most economic use of the available supplies of all varieties of essential goods and that some basis of pooling such resources and securing their orderly distribution was

unavoidable. In actual working, however, the controls were found to be ill-designed, haphazardly worked out and administered in a manner which showed lack of experience and appreciation of their effects and consequences. It is also well-known that the controls led to widespread corruption and in its train aggravated the problem of Black Markets. The chief defect was that Government fought shy of taking the trade into their confidence and due to the ineptness of their machinery, created around themselves a cobweb of mess and in trying, at every stage, to extricate themselves from the same, created fresh problems. A measure like the Hoarding and Profiteering Prevention Ordinance, for example, was from the very start designed in a manner which did not take into account the practical requirements of the different branches of the trades sought to be controlled and almost rendered impossible honest and *bona fide* business. It is, at this stage, futile to enter into an examination of the defects and drawbacks of the various controls or to indicate as to what should have been done to avoid the mistakes of the past. If only the Government of this country had followed the examples of the Governments of the U.S.A., U.K., Australia and Canada, and concentrated on efforts to increase production and supplies in the country the rigours of the control and its consequent misadventures could have been avoided; at the same time, it would have prepared the country in its onward march for attaining a stage of self-sufficiency in the post-war period. Government, however, were obsessed by their anxiety to procure supplies at cheap prices for sustaining the Allied war effort and they, therefore, allowed their control policy to be primarily guided by that objective, whatever be the long-term consequences of that policy on the general trade and industrial fabric of the land.

The problem at present, however, is to what extent and how soon these controls could go. To start with, it might be stated as a general proposition, that in so far as the Export Control is concerned, all restrictions, excepting in regard to items of necessity in which the country continues to be in short supply, should straight away be removed. Similarly, the removal of the restrictions on imports should be examined in relation to their effect on corresponding industries established within the country. In order to avoid the mistakes of the past, Government should take the commercial community into their confidence and arrange for the orderly and quick removal of the various measures of control and continue only such restrictions as are demonstrably necessary in the country's own interest. In the words of the Hon'ble Sir Ardeshir Dalal at the Fourth Meeting of the General Policy Committee held recently at New Delhi "The nature of our problem has altered; but the problems themselves are no less intricate and important than those which faced us during the war." These words are significant and it is of the utmost importance that the problem must be faced in its entirety and in a manner which builds and not destroys.

I would, on this occasion, like to refer to one particular control, viz., the Control on Capital Issues. This Control has been administered for the last few years in a manner which, to say the least, has already done great

harm to the country. The public have not been made aware of the principles which guided those in authority in dealing with the applications for the issue of capital for new undertakings or for the expansion of existing ones. After allowing an atmosphere of mystery to surround the activities of this Department for a considerable time, a statement in the press recently informed the public that out of 4,414, applications received, only 3,381 applications were sanctioned and 1,033 applications were rejected. It would be interesting to have detailed information regarding the basis or reasons by which Government were actuated in turning down such a large number of cases. There is a legitimate feeling of suspicion that the control on capital issues was not exercised in the best interests of the country. There is further the apprehension that its continuance will, by standing in the way of mobilisation of private credit and capital for post-war projects of a nation-building character, do irreparable harm to the economic interests of the country. We learn from reports in the press that the Control on Capital Issues has been considerably relaxed and modified in countries like the U.S.A. and the U.K. In an industrially backward country like India where capital was proverbially considered to be shy, this control had no justification even in the years of the war and now in the altered circumstances, at any rate, Government cannot, without being open to the charge of creating unfavourable conditions for the economic and industrial development of the country, with any sense of grace continue any longer this form of restriction.

## Road-Rail Co-ordination

A good system of communication, in all its branches, is very essential in any programme of all round development in the post-war period. Industry and commerce can develop and agriculture prosper only if the transport services function effectively and be a source of real service. In the past, the railways were mainly guided by a policy which was intended chiefly to stimulate the import and export trade of the country and the needs of the internal economy, both in the sphere of agriculture and industry, were neglected. The rate structure, the building programme, regulation of movement of rolling stock, all were so adjusted as to subserve such a policy. During the two decades before the war, the railways, however, had to undergo a new experience; a good part of the internal traffic, particularly traffic between short distances, was attracted to the roads. Government, however, in order to protect the railways from this sphere of competition, imposed certain restrictions and burdens in the form of new taxes and charges by enacting the Motor Vehicles Act. The war, however, considerably altered the situation. New lorries and vehicles could not be imported; the motor industry, in spite of the strong public demand, was not allowed to be established in the country. Controls in the form of rationing, permits for operations, restriction on routes, etc., curtailed the sphere and area of operation for road transport. The railways were put on a war footing. While thus the public suffered on the one hand by considerably restricted railway facilities, there was no effort to increase the facilities for motor transport.

Government have, however, realised the importance of developing road transport and its part in the future economy of the land. Large-scale programmes of road construction are in the air. Road transport in India has, as in all other countries, come to stay and it is essential that its development must be encouraged. The War Transport Member while inaugurating the session of the Council of the Indian Roads Congress recently stated "that the best interests of the country demanded more detailed regulation and more effective co-ordination of the activities of the road operators and the railways, in order to provide the community with the best and cheapest general transport on all routes." As a policy this sounds very good. In fact, it will be generally agreed that the community must be provided with the best and the cheapest general transport on all routes. He further goes on to add "loss of much revenue in the way of passenger receipts must be faced by the railways and they have also accepted the fact that short-distance goods traffic on the roads should be unrestricted." And yet, in actual practice, Government are doing something quite different from the sentiments referred to above. The Provincial Governments, in consultation with the railways have brought about a zonal system of road-rail co-ordination. The system, as it has now been evolved, cannot, by any stretch of imagination, be termed as an attempt at co-ordination. It will more probably result in the elimination of the private road transport on the one hand and retard the future development of this form of service on the other. I do not propose to deal here in detail with the objectionable features of the zonal system under which 65 per cent of the ownership of motor vehicles will, in future, be held by the Central and the Provincial Governments, 10 per cent by the so-called promoter and 25 per cent by the road interests. The scheme has been evolved mainly with a view to protect the railways. There has been a good deal of public criticism against this arrangement. Private operators have, in the past, displayed a considerable degree of enterprise and spirit of pioneering in developing the road transport services. They had their own difficulties in the early stages. These were overcome by patient efforts and a system of road transport was established. It is very unfair that the operators who have sunk large sums of money in this enterprise should now be displaced and be asked to rest content with 25 per cent financial interest in the new companies proposed to be started. A revolutionary change like this is being foisted on the country without sufficient public discussion or consultation regarding the same. The Provincial Legislature is not functioning, and the Government of the Province, as at present constituted, cannot claim to be in active touch with public opinion in the province. An issue of wider principle like the one under review, involving the entry of the State into a sphere of private enterprise should be left to be decided only when normal political machinery is functioning in the Province and should not be rushed through in the above manner. Your Committee have drawn the attention of the Provincial Government to the above injustice and have urged that private enterprise should be allowed to continue to own and operate the motor transport services in the Province, as in the past, with such control and regulation

as might be found necessary in the light of past experience for securing co-ordination and development of such services on proper lines. They are, in any case, against the railways and the State acquiring any financial interest in such services and thus displacing the operators who have developed them at considerable cost and labour. The injustice of the whole position is aggravated, when it is found that Government have not even thought it fit to provide for fair and adequate compensation to those operators who will be displaced under the new scheme. It is to be hoped that Government will stay their hands and will not, disregarding the strong public feeling against the scheme, proceed with and foist it on the Province and the interests concerned.

## Indianisation of the Services

In dealing with this question, let me begin with a quotation from the Charter Act of 1833 which laid down "that no native in the territory shall by reason only of his religion, place of birth, descent, colour or any of them be disabled from holding any place or office or any other employment under the Company's service." Just as in the larger sphere of our political evolution British policy in India is early or progressive (whatever suits the occasion) realisation of self-Government, the cry of Indianisation, although it is more than 112 years old, is still in its stage of progressive realisation. If the declaration referred to above was sincerely made with the intention of being implemented, are we to take it that after 112 years of British Rule, there has still not been suitable Indian Officers to fill all the administrative posts of key importance in India. Even today more than 50 per cent of the top posts in the Civil Departments, I.C.S., the Medical Services, Posts and Telegraphs, the Railways, the Police and other services are held by persons who are not nationals of this country. Almost all the top posts in the Army, the Navy, and the Air Force are monopolised by foreigners. I do not wish to take up your time by tracing the chequered history of the various Commissions and Committees which went into this question of Indianisation. The fact, however, remains that, notwithstanding the repeated professions of sympathy with the object of accelerating the process of Indianising the esential services of the country, non-Indian elements still continue to preponderate in all the key and administrative posts.

It cannot be seriously suggested that there is any dearth of suitable Indian personnel for the different kinds of appointments and services under the control of the Government of India. Indians have proved, time and again, that, given the opportunity, they are equal, if not superior, to the best talents that foreign countries can provide and yet we continue to hear of arrangements for recruitment of foreign personnel for some of our important services in the country. His Excellency the Comander-in-Chief, who is generally considered to be one sympathetic to Indian aspirations, stated at a recent meeting of the Defence Council that "Indian Officers in the three services have not yet acquired in sufficient number the neces-

sary experience and knowledge to be able to fill at once all grades in the officer cadres of the three services, and insistence on too rapid a rate of substitution of Indian for British Officers would not, in my considered opinion, be in the best interests of India." So, again Indians have to be kept out of such posts in the best interests of India!

Contrast this with the position in some of the other countries. Whilst Russia can produce Field Marshals at the age of 40 and 45 capable of foiling Nazi strategy and delivering crushing defeat to an army of men which was traditionally considered to be drawn from the best fighting classes, India is counselled to be patient when she naturally feels restive at the slow progress of the pace of Indianisation in the Commissioned Posts in the various branches of the Defence Services. After nearly seven years of total war India still needs to be told that she must hasten slowly. It is no wonder that the recent announcement that it was the intention of His Majesty's Government to completely Indianise the Defence Services in the country has not engendered that public feeling of confidence and enthusiasm which one would have normally expected. India would prefer to await the translation of this policy into actual practice. The proof of the pudding is always in the eating.

The recent action of the authorities in opening a campaign for recruitment for the Indian Civil Service and the Police in Canada is an eye-opener and goes to show that the authorities are thinking in terms of continuing enlistment of foreign personnel for essential services in this country. The report referred to above mentions that thousands of special booklets have been issued in Canada through the office of the Shipping Master of the local port and appealing to the Canadian Merchant Seamen "in the interest not only of India, but of the Empire as a whole" to relieve the strain on the services and to offer for recruitment in India. The question naturally arises as to who authorised the campaign and what was the justification for the same? Surely, there is no dearth of personnel in India. One cannot help feeling that there is a deep game behind this move and that those in whose hands the destinies of this country are at present placed, are determined to frustrate all efforts for the transfer of real and effective power to the sons of the soil and towards that end ensure the continuance of foreign elements in key posts in the administrative machinery. Against the background of restrictions based on colour and race to which Indian nationals are subjected in such foreign countries, this new move is a glaring attempt to flout public opinion here and adds to our feeling of humiliation and frustration. The game should be nipped in the bud and the present Government of India, however irresponsible they might be, should, unless they are deemed to be devoid of any self-respect, put their foot definitely down on any proposals for fresh recruitment abroad and of non-nationals even here, even if the inspiration for such a step came from His Majesty's Government.

## Indians Abroad

The Report of the Soulbury Commission on Constitutional Reforms in Ceylon, the restoration of Civil Government in Burma, the liberation of Malaya and Singapore and other countries in the Far East have all again brought to the fore issues and problems connected with the position and interests of Indian nationals in those countries. As I have, on more than one occasion, dealt with these issues in the past in the Quarterly Meetings of the Chamber, my only excuse in returning to the subject today is that certain aspects of the problems connected with Indians abroad, are fast developing and are today a matter of live issue to many of our fellow-countrymen. The recommendations of the Soulbury Commission on Constitutional Reforms for Ceylon have recently been made public. They do not satisfy the aspirations and wishes either of the local population or of the other minority communities in that country. The declaration of 1943 had raised hopes that they would soon be granted self-Government of the Dominion Status variety. These hopes are now shattered to the ground by the halting and half-hearted, if not retrograde, recommendations of the Commission. The Commission's approach to the problem is indeed very apologetic. In fact, they say in the Epilogue : " The constitution we recommend for Ceylon reproduces in large measure the form of the British Constitution, its usages and conventions and may on that account invite the criticism so often and so legitimately levelled against attempts to frame a Government for an Eastern people on the pattern of Western democracy ". The Eastern people may not be concerned very much about patterns, but they are, as much as the Westerners, anxious to establish conditions of real democracy by whatever name it may be called or under whatever constitutional framework it may function. It is really regrettable that after all this hue and cry about restoration of freedom and democracy, when the time comes for the actual application of these high sounding ideals, those who were loud in their professions, are again found wanting.

While thus on the larger issue of political freedom to Ceylon the recommendations are extremely disappointing, proposals connected with the treatment of the problem relating to the minority interests in that country are singularly unfortunate. Great injustice is being done to our countrymen in that country. They went there at the express invitation of that Government and on the basis of agreements and assurances about rights and privileges specifically given. A large number of Indians there earned their living as labourers in Estates and are an integral factor in the economic organisation of that country. India has traditional and historical connections with Ceylon and it is an accepted fact that Indian skill and labour have, in no small measure, contributed to the all round development of Lanka. Against this background, it is a matter for profound regret that the Board of Ministers in Ceylon should have even taken strong objection to the Soulbury Commission consulting " the various interests including the minority communities concerned with the subject of constitutional reform in Ceylon and with the proposals which the Ministers have formulated ".

This does not augur well for the future and Indian opinion in Ceylon cannot naturally feel re-assured about their position in that land under a Government in the forming and shaping of which they have no hand or voice. Indians form 15 per cent of the total population of Ceylon and it is their inalienable right as citizens in that country to be entitled to enjoy the franchise for all electoral purposes on a basis of equality with the Sinhalese population.

We cannot object to the fundamental right of every country to determine the composition of its population. But this right must be exercised in a manner of uniform application and should not be discriminatory against any particular class or section. Indians have as much right, on a reciprocal basis, to go to Ceylon, South Africa, Burma, Australia or any other country as the Britisher has. Our countrymen have shed their blood in the theatres of war for the liberation of countries like Burma, Malaya and Africa, etc. All this was done in the name of restoring freedom and democracy. The issue of franchise to Indian residents in Ceylon is a matter on which grave injustice has been done in the past. The Soulbury Commission has made a general recommendation that the present basis of franchise should continue. The acceptance of such a proposal would mean that the large body of Indians who went to that country at the express invitation of the Ceylon authorities would continue to be disenfranchised and would be merely drawers of water and hewers of wood in that land without any sanctions to safeguard their political existence and future there. Similarly, the right of free entry and re-entry into that land for all Indians should be adequately protected and safeguarded. Any regulation that may be found necessary in the interests of both the countries for controlling immigration into Ceylon should be left for negotiation and agreement between India and Ceylon when both have free Governments of their own. In any event, all Indians who were resident in Ceylon at the time of the inauguration of the new constitution should be entitled to full franchise rights on a basis of equality with all other residents in Ceylon.

The liberation of Burma, Malaya and other Far Eastern countries raises the important problem relating to the arrangement for the return of evacuees who were forced to leave those countries and take shelter in India. Their return must be assured and facilitated with the least possible delay and it is the duty of our Government to see that Indian nationals who are in the position of evacuees are once again enabled to find their proper place in the economic and social organisation of these Far Eastern countries. His Majesty's Government, it is understood, are providing a large sum of money by way of loans in order to assist the rehabilitation of British trade and industry in the overrun countries. Our interests and stake in those countries were much larger than those of British nationals. The future of a large number of our people is involved. Problems such as restitution or restoration of property to legitimate owners, compensation for properties abandoned, destroyed or lost, rehabilitation

of evacuees, their future constitutional position are all matters which would have to be energetically tackled by the Government of India with a view to evolving satisfactory arrangements for safeguarding the interests of our nationals in those countries. Such little information as percolates through the veil of secrecy behind which the Government of India are handling these matters has raised a general sense of apprehension that the interests of this country and her nationals abroad are in serious danger. It is a matter of the greatest importance that the Government of India should take responsible public opinion into their confidence and seek a solution of the different difficulties connected with this problem in consultation with them.

So far as Burma is concerned negotiations between the Government of India and the Government of Burma in regard to matters concerning the rights of the evacuees, Indian interests in Burma, regulation of Indian immigration into that country and questions relating to the right of entry and re-entry of Indians into Burma are under progress. The Indian viewpoint has been placed, on successive occasions, by representative interests before the Governments of India and Burma, and they owe a duty to our countrymen to see that the rights guaranteed under the Government of Burma Act and the promises and assurances given on the floor of the House at that time are not thrown overboard by back-door methods, and discrimination practised against Indians. Indians must enjoy the same rights of citizenship and position of equality in Burma as those guaranteed or given to nationals of Great Britain, China and other countries, and it is the duty of our Government to see that our position in Burma is adequately safeguarded.

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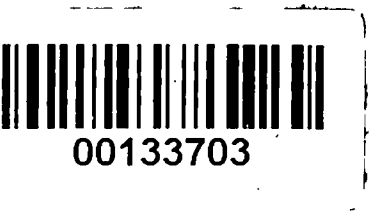
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Digitized with financial assistance from

Government of Maharashtra

on 01 February, 2020

PRINTED BY V. V. BAMBARDEKAR AT THE
INDIA PRINTING WORKS, FORT, BOMBAY